

*Mass builders make a comeback*  
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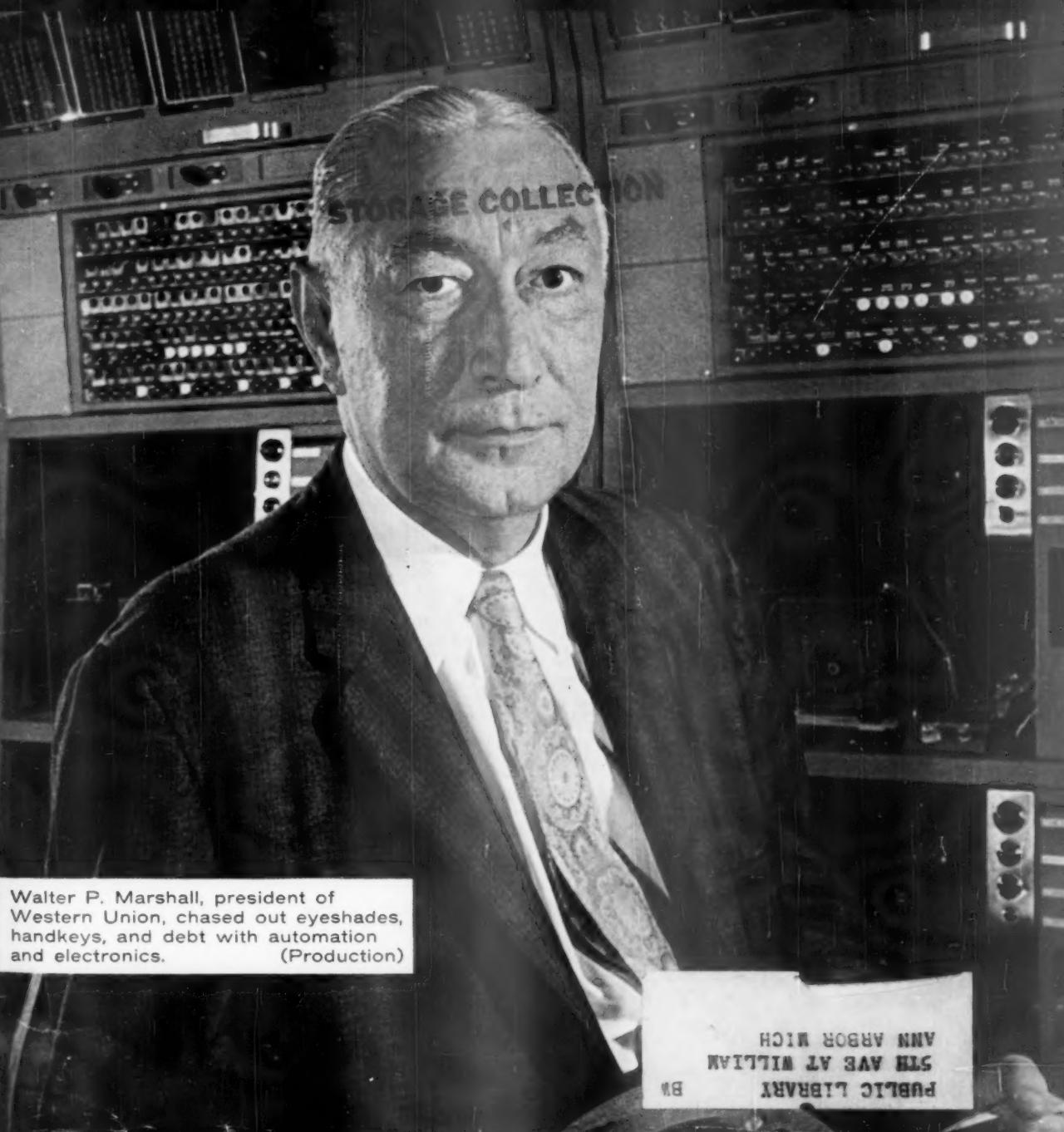
# BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

AUG. 27, 1960

*Colleges rush  
to build*  
(Page 132)





## Greatest advance in comfort since rest was invented!

RELAX on *real* latex foam rubber and you'll never settle for less. You're cradled in a new kind of comfort—cool as a cucumber, buoyant as a breeze.

To help this advance in comfort, Shell Chemical manufactures high-quality synthetic rubber latex. This product is used to make the foam rubber for

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**GENERAL BUSINESS**

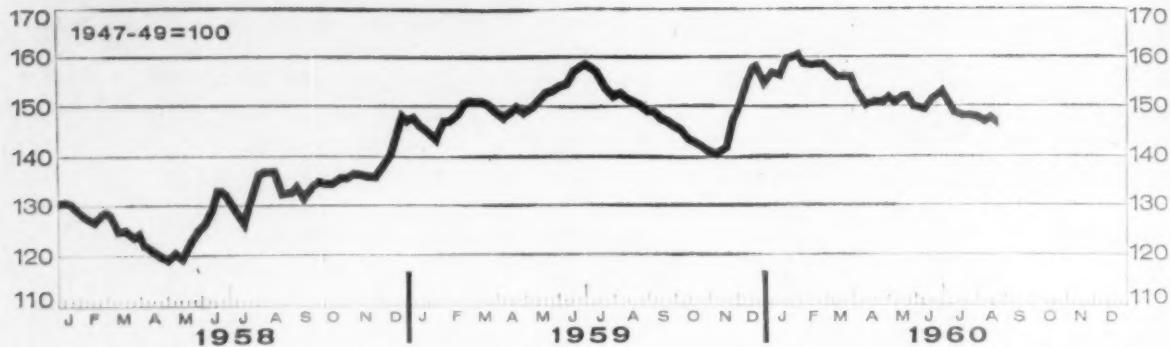
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# FIGURES of the WEEK



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### PRODUCTION

	1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
Steel ingot (thous. of tons).....	2,032	332	1,520	1,558r	1,552
Automobiles .....	125,553	31,848	112,179	84,139r	46,865
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$62,291	\$87,182	\$75,744	\$77,451
Electric power (millions of kilowatt-hours).....	10,819	14,003	14,425	14,622	14,453
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,817	6,855	6,834	6,842
Bituminous coal (daily av., thous. of tons).....	1,455	1,200	1,224	1,298r	1,339
Paperboard (tons) .....	247,488	320,743	310,052	314,180	314,607

### TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	55	54	53	54
Carloadings: all others (daily av., thous. of cars).....	47	35	47	46	46
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	132	119	128	131
Business failures (Dun & Bradstreet, number).....	198	263	259	308	279

### PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	92.9	90.6	91.2	91.5
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	78.7	78.7	77.7	77.3
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	20.2¢	20.2¢	19.8¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.2	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$40.17	\$31.50	\$32.50	\$32.50
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	30.43¢	33.000¢	33.000¢	33.000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	23.76¢	24.01¢	24.00¢	23.99¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.00	\$1.89	\$1.93	\$1.93
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	31.82¢	31.70¢	30.67¢	30.60¢
Wool tops (Boston, lb.).....	\$1.96	\$1.97	\$1.65	\$1.64	\$1.64

### FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	59.03	54.54	56.62	57.37
Medium grade corporate bond yield (Baa issue Moody's).....	3.59%	5.11%	5.16%	5.08%	5.04%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½ %	4%	3½ %	3½ %	3¾ %

### BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	60,090	59,258	58,967	58,163
Total loans and investments, reporting member banks.....	††	104,025	105,253	104,720	105,003
Commercial, industrial, and agricultural loans, reporting member banks.....	††	29,839	32,142	32,074	31,125
U. S. gov't guaranteed obligations held, reporting member banks.....	††	29,448	27,428	26,903	27,169
Total federal reserve credit outstanding.....	26,424	28,562	28,437	28,246	28,469

### MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Housing starts (in thousands).....	July.....	101.5	149.7	126.8
McGraw-Hill Indexes of New Orders (1950 = 100)				114.1
New Orders for machinery, except electrical (seasonally adjusted)....	July.....	104	182	176
Construction & mining machinery.....	July.....	111	218	182
Engines & turbines.....	July.....	106	184	168
Pumps & compressors.....	July.....	120	192	331
Metalworking machinery.....	July.....	125	189	176
Other industrial machinery.....	July.....	95	152	163
Office equipment.....	July.....	109	178	243
New contracts for industrial building.....	July.....	128	141	151

\* Preliminary, week ended August 20, 1960.

† Not available.

‡ New series including farm.

r Revised.

§ Date for "Latest Week" on each series on request.

THE PICTURES—Cover—Tibor Hirsch; 29—(left) UPI, (right) WW; 32—(left) Black Star, (top) UPI; 33—(top) UPI, (left) WW, (right) UPI; 34—(top) WW, (bot.) United Nations; 35—WW; 53—Whirlpool Corp.; 64, 65, 67, 79—Herb Kratovil; 82—Corn Products; 85—Dual-Evans Corp.; 86, 87, 89—Tibor Hirsch; 103—Peter Weaver; 107—John W. Gregory; 108, 109, 110—Syd Harris; 113—WW; 132—Herb Kratovil; 141—U. S. Plywood.



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- Completely sealed against liquids and gases.
- Protected against mechanical damage by a continuous, corrugated metallic sheath.
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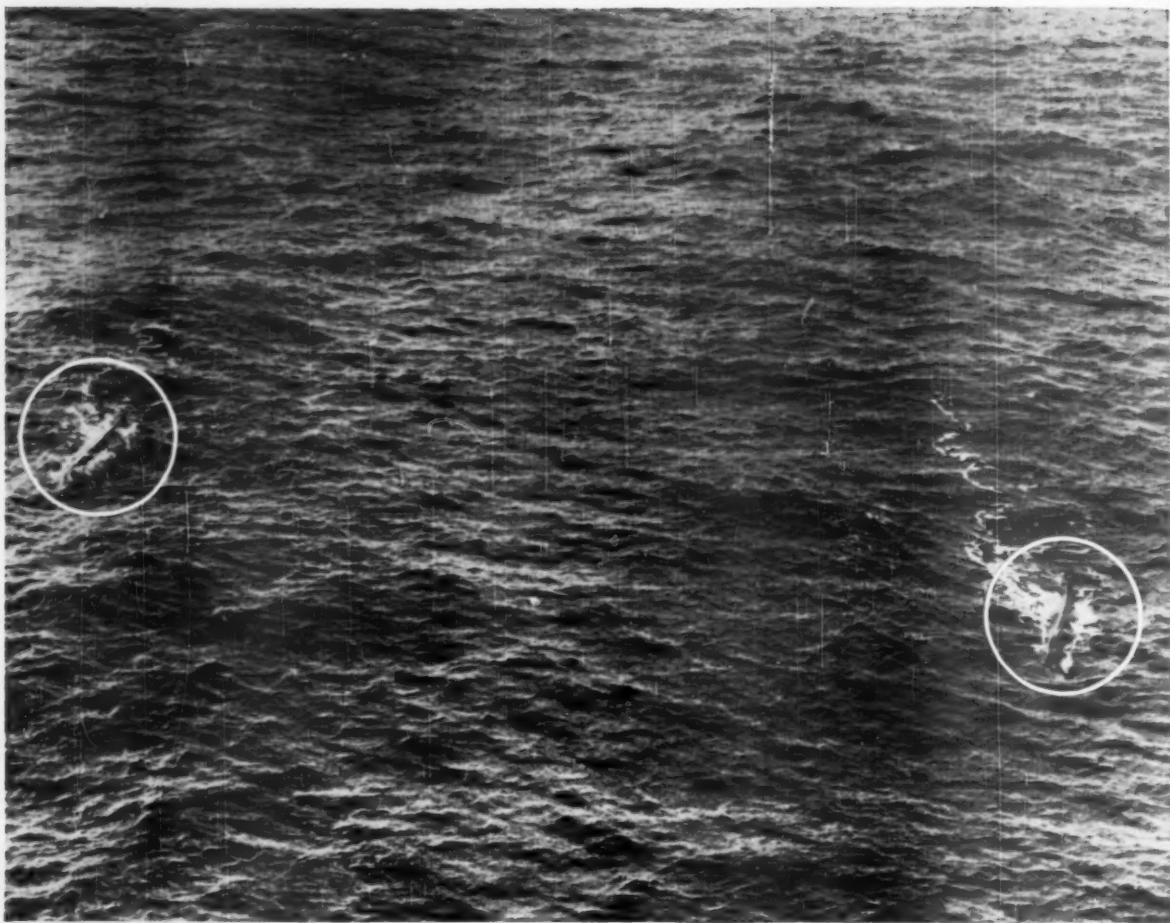
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for Torturous Conditions  
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Official U. S. Navy Photo

## WHICH WAKE IS AN ENEMY SUBMARINE?

Thanks to its anti-submarine equipment, the U. S. Navy quickly determined that both suspected "targets" were actually whales. Had they been enemy submarines, however, the Navy was ready to take immediate action.

Protecting this Nation from surprise underwater attack is an ocean-sized problem that's being energetically tackled on a great many fronts. Bendix—with its development and production background in depth recording and indicating instruments, underwater telephones, submarine detection and tracking sonar, scanning sonar, power steering, and other submarine gear—has been assigned the responsibility for much submarine operation and detection equipment.

Take sonar. It's a type of underwater radar that lacks the range of radar. The Bendix assignment: Increase its range. A big Bendix contribution to under-

sea warfare has been the complete guidance systems used on the latest high-speed torpedoes whose missions are to destroy high performance submarines.

Another interesting Bendix development is "dunking" sonar. Dropped by cable from a helicopter, it scans literally hundreds of square miles undersea in an hour's time. We also manufacture control rod drive mechanisms for nuclear submarines and for the USS Long Beach, the Navy's first nuclear-powered cruiser.

Bendix has even adapted television to submarine use. When the USS Skate made her historic voyage under the



About to be submerged, this Bendix-developed "underwater sound source" transmits sound waves beneath the sea. It is designed to increase sonar capabilities.

North Polar ice cap, she carried aboard a unique Bendix TV system. By magnifying light thousands of times, and literally "seeing in the dark," this TV system showed the crew thin spots in the bottom of the ice pack through which the Skate surfaced safely.



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## READERS REPORT

### To Strengthen The Economy

Dear Sir:

BUSINESS WEEK recently published a two-page McGraw-Hill "message" [BW—Jun. 4'60, p126] which objects to the point made in the Joint Economic Committee Staff Report, that recent economic growth has been slow. This ad... contends it is all just numerical juggling. In limited space, I add some comments of clarification.

Growth occurs irregularly. It can best be described by a chart (as in the Staff Report) or by a growth matrix (as in the ad and in the Committee Report back to 1910). The annual average rate of growth is universally used to describe growth succinctly.

Recessions or other special circumstances in the base or terminal year affect growth rates. The principle for selecting proper periods is simple: Normal years must be chosen. Because each year has its unique history, one must judge whether its characteristics are sufficiently abnormal to invalidate the comparison.

The main charge of the "message" is the claim that the Report's results are wholly "statistical hocus-pocus" through the choice of dates. The Report said that growth was slow in recent years, and gave the growth rate of 2.4% for 1953-59 as one of several indicators. These years were sufficiently normal to make them suitable base and terminal periods. The ad cites the steel strike and some remaining recovery from recession as evidence that 1959 was abnormal, and calls 1953 a "Korean War boom year." However, (1) the steel strike cost very little growth, as has become clear in 1960; (2) 1953 contained two quarters of declining output as the economy slid into recession; (3) while military outlays fell somewhat after 1953, they remained high throughout.

Finally, the result is not sensitive to the choice of dates. All the growth rates in the lower right-hand corner of the ad's matrix—those after 1951—are low, except those which start from recession—as any reader can verify for himself. Even if 1960 corresponds to the most optimistic forecasts, growth rates which include it will remain below the historical average of 3%. The 3.7% the ad expects for 1947-60 sheds no light on re-

# Rockwell Report



by W. F. ROCKWELL, JR.  
President

Rockwell Manufacturing Company

right of free choice thoughtfully and intelligently.

Some years ago, when we added voting machines to our diversified product line, we developed an uncommon interest in the voting process. This, in turn, has led us to what we believe to be an inescapable conclusion. A company that conducts its business under the free enterprise system owes to its government and to itself an honest effort to insure that its employees, stockholders and other related groups exercise their right to vote.

There are several obvious ways to go about the job. One is to cooperate with The Advertising Council's program, "Be sure to register and vote." This reminder can be used in many areas of a company's communications system: advertising, internal and external correspondence, house organs, etc. Another is to permit inter-plant and office distribution of non-political literature related to the importance of the democratic process, sound government and related subjects.

More recently, we have encouraged employees to participate in seminars and meetings on subjects related to government and politics in the belief that the vote is no more effective than the knowledge that lies behind it.

\* \* \*

*Isn't too much emphasis placed on the duty of the individual to vote? Shouldn't we emphasize instead that the franchise is a privilege, which some people do not have? As a matter of hard fact, if these people do not learn to exercise this privilege, they may be in danger of losing it altogether.*

\* \* \*

A voting machine is the surest way to guarantee privacy when the voter exercises his privilege of free choice. Moreover, no one can tamper with his choice. Not only will he vote in less time, his vote—along with all others—will be counted in less time. Total voting costs are greatly reduced. Perhaps most important, however, is the provable fact that more voters exercise the franchise in those areas where voting machines are used.

\* \* \*

*An analysis of orders shipped in 1959 revealed a particularly interesting fact. While 84.26% of our business came from only 11.37% of our customers, an almost equal number of customers (11.7%) bought less than \$150 each during the year. The cost of order-processing on our usual basis made this latter group something less than profitable. The solution was a new method of processing small orders which, while not decreasing customer service, cut paper handling 15 to 20%.*

\* \* \*

As a business grows, the growing mountain of stored records and paper can be an extremely costly item. Some companies actually have had to acquire buildings just to store paper. In addition to getting rid of unnecessary paper, our Archives Department is careful about how paper is disposed of. In the last few years we have discarded almost a half-million pounds. To have this paper incinerated would have cost over \$6,000. Instead, it was sold for \$3,000, for a total saving of \$9,000, almost all of which can be translated immediately into profit.

*This is one of a series of informal reports on*

**ROCKWELL MANUFACTURING COMPANY**  
**PITTSBURGH 8, PA.**

*Makers of Measurement and Control Devices, Instruments,  
and Power Tools for twenty-two basic markets*



cent performance. The 2.0% for 1909-39, cited by the ad to reassure us that all is well, terminates in the Great Depression. . . .

The Report did not argue, as the "message" implies, that recent growth reflects any weakness in our economic system. It did question policies which have brought it to its present position.

The Report drew no comparisons with Soviet growth. The "message" soothes us with the notion that Russian growth will slow down when her economy matures. On present evidence, this is an irresponsible assumption on which to gamble our future. We had best strengthen our economy for the long, hard competition ahead.

OTTO ECKSTEIN  
ORGANIZATION FOR EUROPEAN  
ECONOMIC COOPERATION  
PARIS, FRANCE

## More for the Money

Dear Sir:

On page 48 of In Europe, the "Perks" Add Up, (BW—Aug. 13 '60, p47) you state the following:

"In Europe . . . the pay of the chief executives varies consistently with company size. For the No. 1 man it ranges from 45% to 75% of the American rate. . . . That's in terms of straight dollar equivalents, without allowance for differences in purchasing power" etc.

However, without knowing that DM 4.20 (the equivalent of \$1.00) has at least double the purchasing power of one dollar in the U.S. the reader must come to wrong conclusions. A German executive is much better off than his American colleague.

The same ratio applies also to workers and employees.

Some economists even maintain that the purchasing power of the dollar is much lower than 50% of the German currency.

J. F. LURCH  
"RHENANIA" REPRESENTATIVE  
NEW YORK, N. Y.

## Booster Boosts

Dear Sir:

Re: Rhode Island Goes After Growth Industries [BW—Jul. 30 '60, p110].

As chairman of the "Rooster-Booster" promotion in Rhode Island, may I add my thanks to your magazine for the excellent portrayal of our state's effort to improve its business climate. . . .

ANDREW P. SWANSON  
G. FRED SWANSON, INC.  
PROVIDENCE, R. I.

# How Western Electric Helps to Keep Down the Cost of Telephone Service

***There are great benefits for telephone users in the fact that  
the Bell System has its own manufacturing and supply unit***

The Western Electric Company is an integral part of the Bell System—an essential member of the Bell System team serving you.

You get some idea of Western Electric's job when you consider this amazing requirement: Western must be ready at all times to produce and deliver to the Bell telephone companies 200,000 different kinds of apparatus and parts for telephone equipment.

The quantity of these items varies over an astonishing range in any year—from one to many millions!

Western Electric's specialized skills and experience are big assets, of course, in doing the best and most dependable job at the lowest cost. But they would be far less effective, and might not have been developed at all; if Western Electric were not a part of the Bell System.

In no other way could it work so closely with the research of the Bell Telephone Laboratories and the needs of the Bell operating companies. The common goal is the betterment of telephone service.

Without Western Electric economics, the price of your telephone service would surely be more and the quality less.

For the savings that Western Electric Company has achieved in manufacturing have played an im-



**WESTERN ELECTRIC** is the manufacturing and supply unit of the Bell System. More than 47,000 of its 129,000 employees have been with the company for over ten years. 13,000 for more than twenty-five years. Their experience is one of the company's greatest assets.

portant part in offsetting some of the increases in other costs of providing service. Many of these increases have been due to inflation and are beyond our control.

## **Helpful in Defense**

Because of the capabilities that Western Electric has developed to do its telephone job, the U. S. Government has called upon it for a number of military projects.

We are proud of this recognition of the Bell System, and look upon

these projects as a contribution to a great national effort. Serving the public is our job. But serving the nation is our duty. One grows out of the other.

The value of the close integration of Bell System research, manufacture, operation and supply has been proved by many years of successful operation.

No other way would work out nearly so well or so economically for both the public and the country.

**BELL TELEPHONE SYSTEM**



2000  
KW

2000  
KW

2000  
KW

2000  
KW

## Electro-Motive Peaking Plants

New MU-100 plant  
\$82 per KW, F.O.B.  
Electro-Motive Factory

For those utilities seeking higher capacity peaking power, the new Electro-Motive 10,000 KW plant offers low investment per KW (as low as \$94 per KW installed at site) plus new operating and control features not found on other types of equipment.

**Highly flexible.** The MU-100 may be utilized in peaking, reserve or area protection applications. It may be remotely operated by a variety of methods—automatically by voltage or current sensing devices,

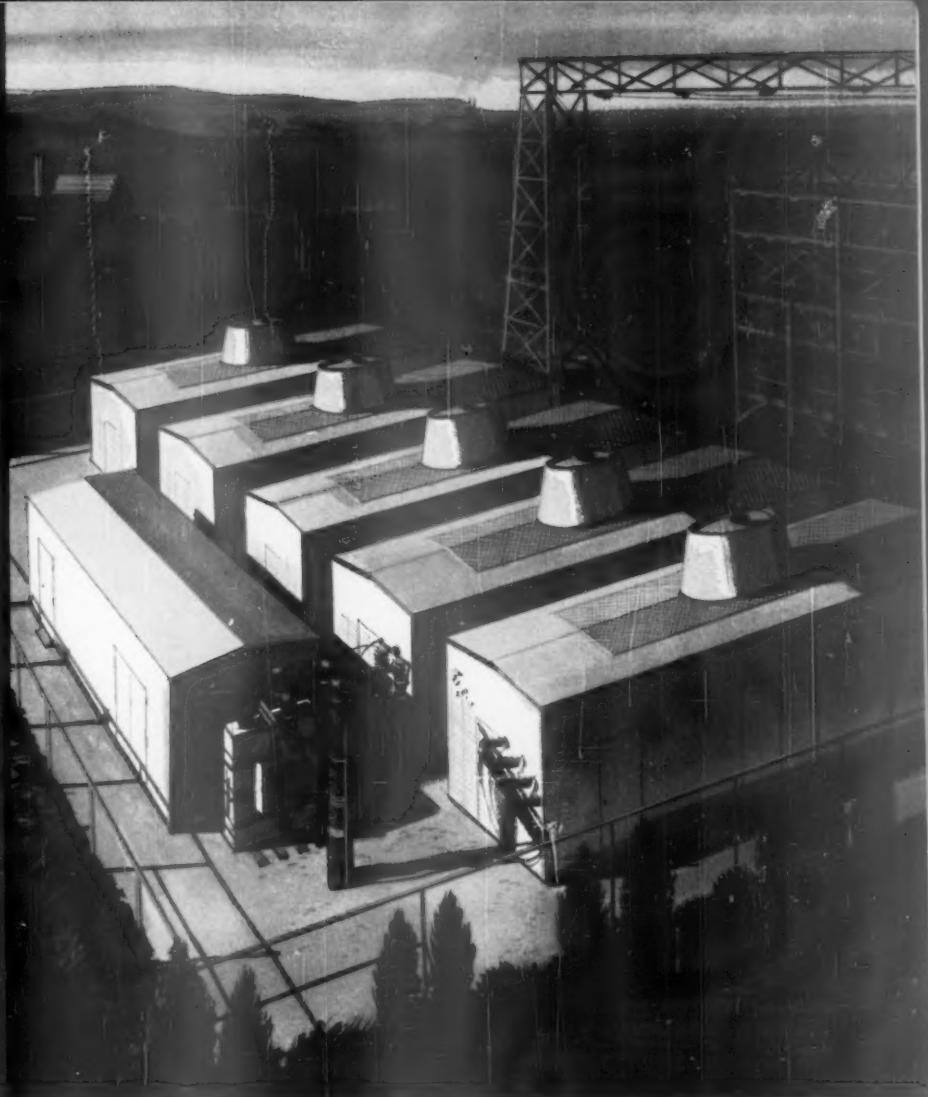
and by supervisory control such as leased telephone line or by carrier current. Self-contained design permits location at the step-down substation serving the load. Installation is simple and inexpensive, and the plant may be moved at any time to match changing load conditions.

**Future expansion flexibility.** Smaller Electro-Motive plants (2,000, 4,000, 6,000 and 8,000 KW) can be installed now with control equipment in place to expand later up to 10,000 KW.

By taking advantage of this plan-ahead feature, additional KW capacity can be added later for less than \$75/KW *installed*. For example, total end cost for uprating from 2,000 KW to 8,000 KW is the same as the initial cost for an 8,000 KW plant.

**New controls.** The plant control contains many innovations which further extend flexibility. The plant may be operated remotely at various capacities to match load conditions. Each generator produces 2,000 KW—and each may be operated individually or

NOW  
+  
2000  
KW



## now available up to 10,000 KW

in any combination. Thus, the plant will provide 2,000, 4,000, 6,000, 8,000 or 10,000 KW. With selective control a block of power is always available—even during maintenance.

**Fast start.** From a cold start, the MU-100 is on line carrying load in less than three and one-half minutes. A spinning reserve start has been designed into the plant which reduces starting time to a minute and a half.

With the addition of the MU-100 to the Electro-Motive line, the most complete range of capacities is available in specialized peaking equipment. Thus it is possible to match capacity to need for the most efficient operation and lowest investment. An increase

in demand is handled by expanding the plant—at low incremental cost—with additional generating components.

An analysis of utility peaking needs will reveal the savings possible with the application of Electro-Motive equipment. Ask the Electro-Motive representative for information.

### ELECTRO-MOTIVE DIVISION GENERAL MOTORS • LA GRANGE, ILLINOIS

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MU-14DF 1000 KW Dual-fuel



MU-40 4000 KW Diesel  
MU-28DF 2000 KW Dual-fuel



MU-60 6000 KW Diesel  
MU-42DF 3000 KW Dual-fuel



MU-80 8000 KW Diesel  
MU-56DF 4000 KW Dual-fuel



MU-100 10,000 KW Diesel  
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# TO CHICAGO



POSITION--CHICAGO--SEPT. 6-16

MACHINE TOOL EXPOSITION--CHICAGO--SEPT. 6-16

MACHINE TOOL EXPOSITION

## Don't miss this history-making event

For the first time, here is a Machine Tool Exposition where the most important things cannot be seen — except by a perceptive manufacturing management. This time — above all — don't *send* your production people, *take* them . . . and read the handwriting on the wall while *they're* looking at machines.

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For instance, at booth #839 — ours — you will see new equipment and approaches to production that can cut your present tooling time as much as 96% . . . can pay for itself out of "Profitivity"® with unbelievable speed . . . and can be leased at an hourly rate of \$2.50 per \$1,000.00 of machine value, with no advance payment! And it drops to 12½¢ after five years. This is heady language for your Comptroller and Treasurer . . . just ask them.

**the man who needs a new machine tool is already paying for it**



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**FIRST** . . . it's a merchandising package. And what a merchandising package . . . with the shining foil and crisp, bright printing working like neon lights on the shelf.

**SECOND** . . . a utility package . . . one that lets you warm the bread right in the bag on the barbecue grill or in the oven. No additional pans needed.

**THIRD** . . . a protective package . . . to keep the loaf fresh down to the last bite.

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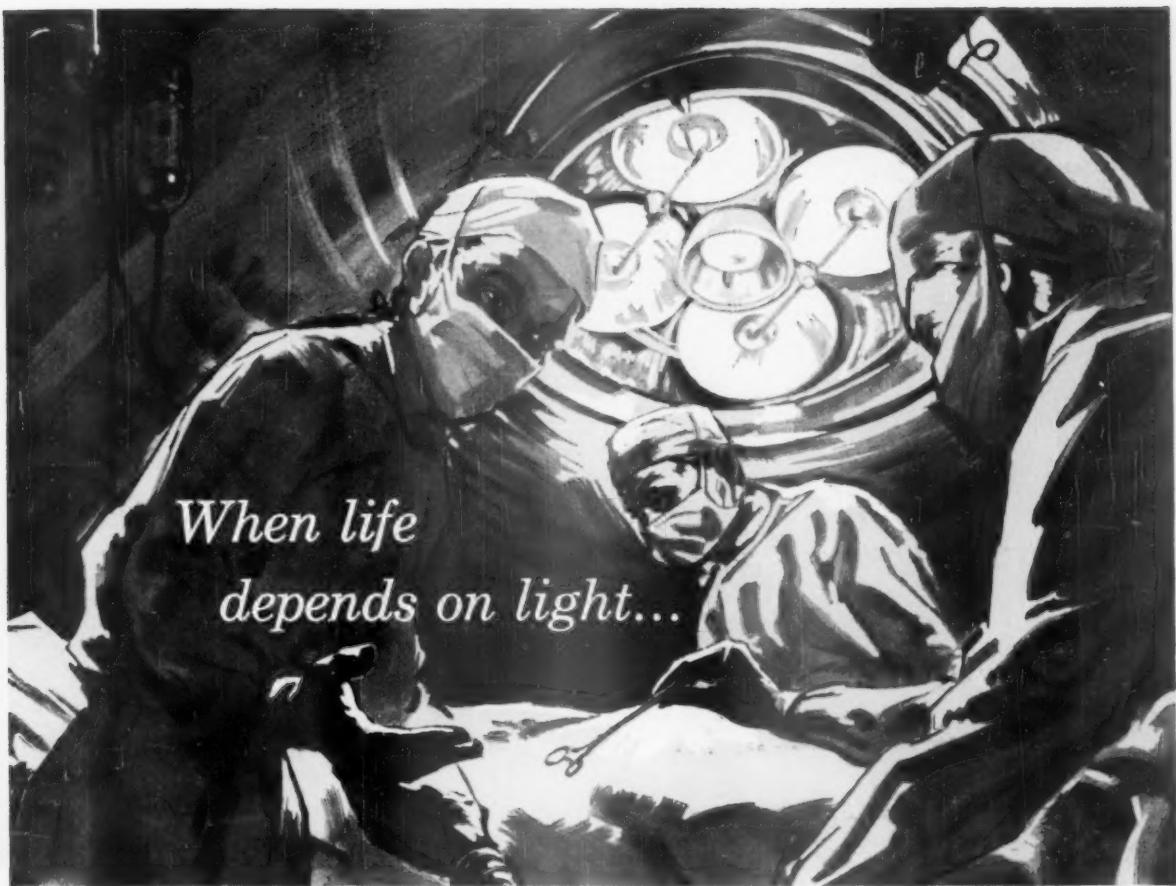


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Taste appeal? Certainly! When the Master of the Barbecue, shopping for ingredients, *sees* the fragrant chips through the mesh window of the Bemis *flexible* package, he can just about *taste* that hickory-smoked flavor in his steaks. So . . . an impulse sale is made . . . because the package is *more* than a package!



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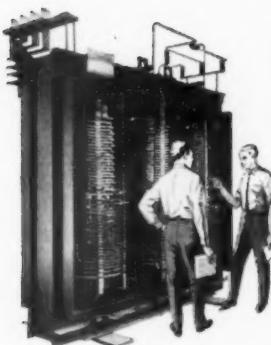


*When life  
depends on light...*

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**HEVI-DUTY**

A DIVISION OF  
**BASIC PRODUCTS CORPORATION**



"Specify Hevi-Duty Transformers." A long-established record for reliable service has made this a buy-word for electrical engineers seeking dependable transformers, from 2va to 3000 kva.

Nothing states the need for dependable Hevi-Duty transformers more dramatically than the part they play in the daily operation of many hospitals. Wherever voltage changes are required, you will find these transformers at work.

Hevi-Duty transformers, for instance, reduce line voltage to levels needed for light and power throughout many hospitals as well as in schools, office buildings and shopping centers. The Hevi-Duty name on this equipment means significantly lower sound levels and reliable performance to specifying engineers and architects.

And for special, high efficiency hospital and operating room electrical equipment

requiring small control circuit transformers, you will again find Hevi-Duty at work. In fact, manufacturers of all types of electrical equipment—from X-Ray machines to new tape-controlled industrial tools—seeking trouble-free operation even under peak inrush currents, place space-saving Hevi-Duty control circuit transformers on their control panels.

The future is bright for electric power, and growing with it is Basic Products Corporation. For more information about useful and dependable Hevi-Duty transformers or other electrical products made by the family of industries that forms our company, write to Basic Products Corporation, Box 753, Milwaukee 1, Wisconsin.

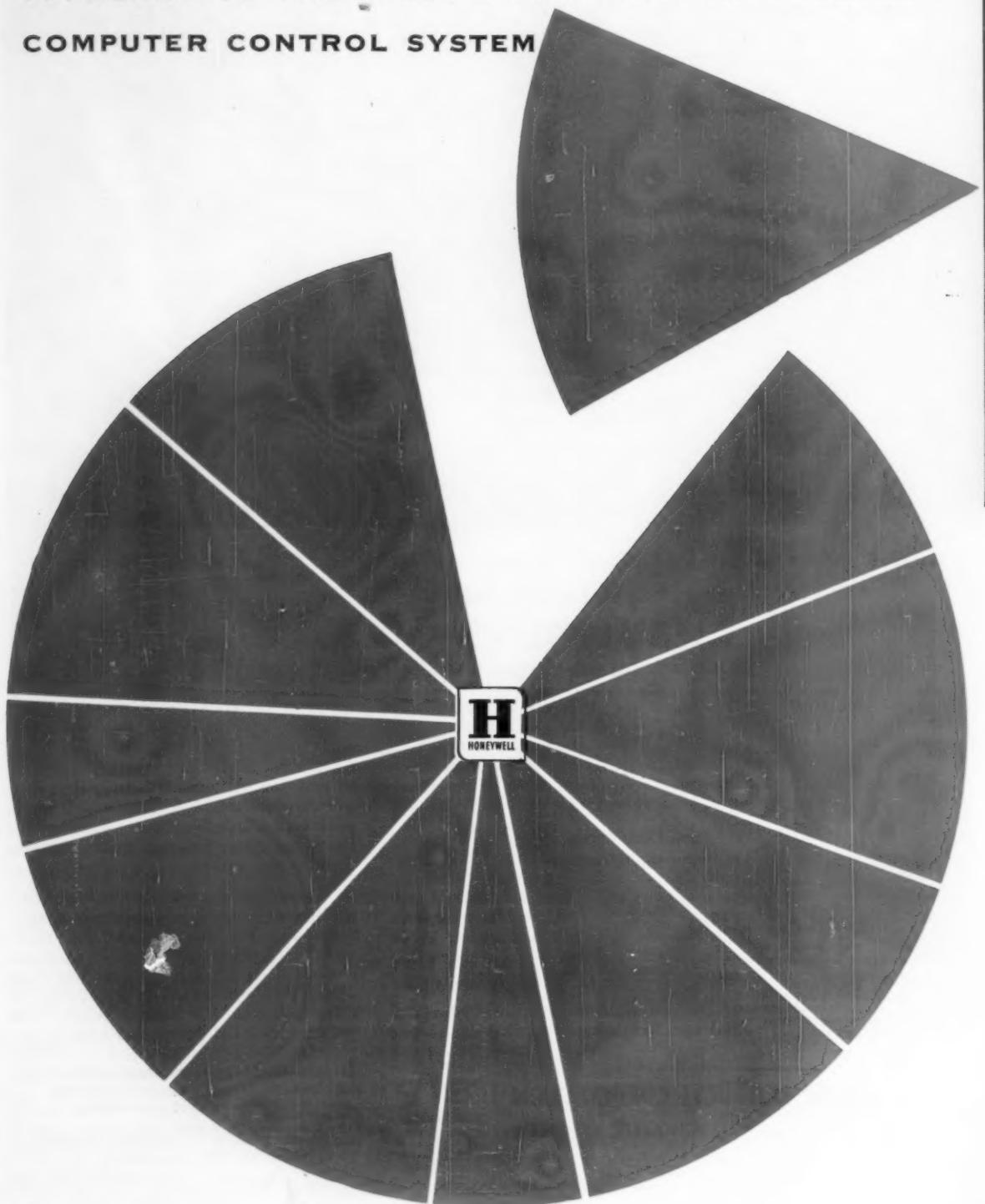
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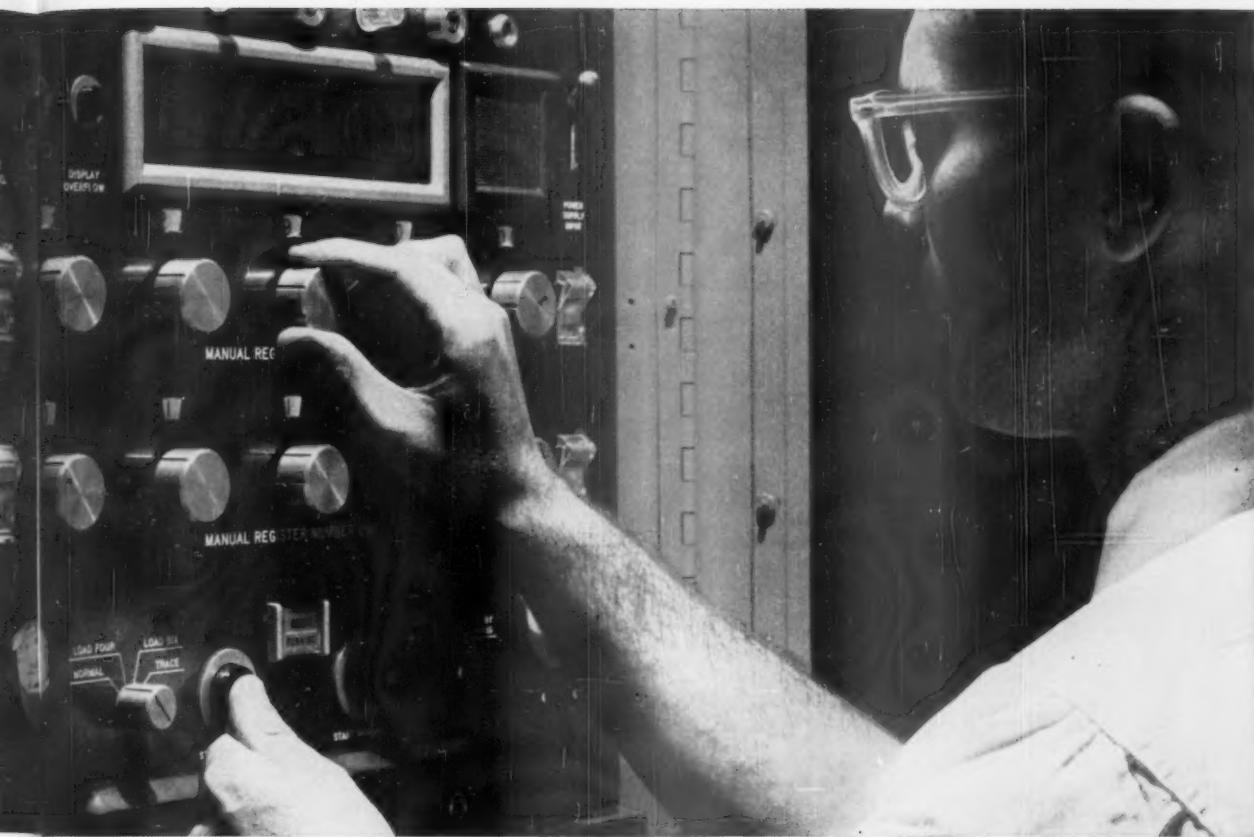


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**... HEART OF THE FIRST COMPLETELY INTEGRATED**  
**COMPUTER CONTROL SYSTEM**





**Single-Source Responsibility.** Now you can get the first truly complete computer control package produced by a single manufacturer. The new, all-solid-state Honeywell 290 Industrial Digital Computer rounds out Honeywell's broad line of instrumentation, and enables you to specify an all-Honeywell process control system. That means you're protected by single-source responsibility . . . from primary elements to final controls, from initial concept through maintenance.

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engineered into every circuit and every unit of the computer.

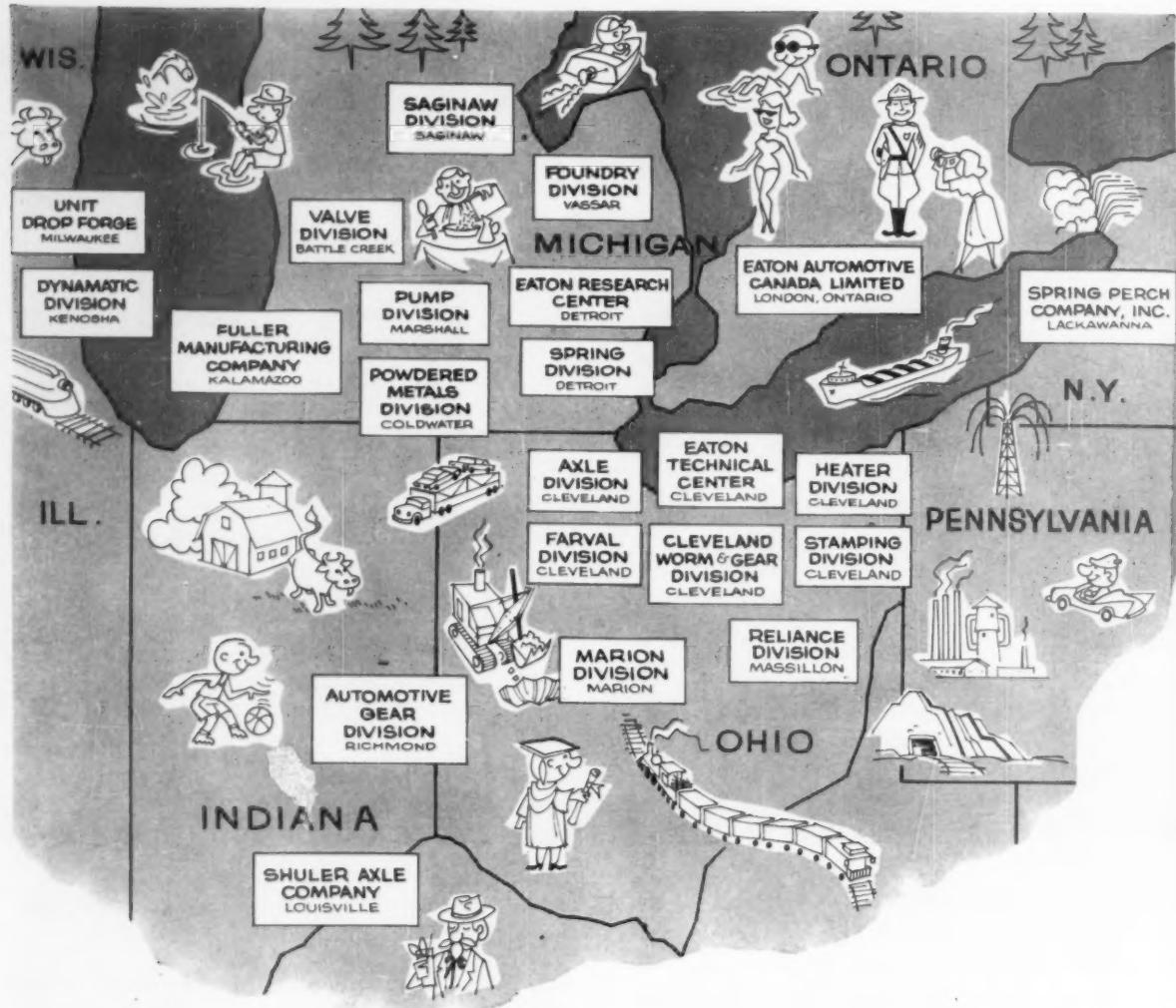
**Application Experience plus Computer Know-How.** With the addition of the Honeywell 290 computer to the world's most extensive line of measuring and control equipment, Honeywell systems engineers now have the tools to implement all applications including those requiring computer control.

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## Why this Map?

It has a big story to tell—locating 20 of the 22 Eaton Divisions and Subsidiaries where more than 12,000 Eaton people are doing important things to add to the quality, dependability, and long life of the country's best known and most distinguished manufactured products in every field. Not shown are two Eaton Subsidiaries in Brazil.

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If you would like to know more about Eaton plants and products—send for your copy of our new illustrated booklet.

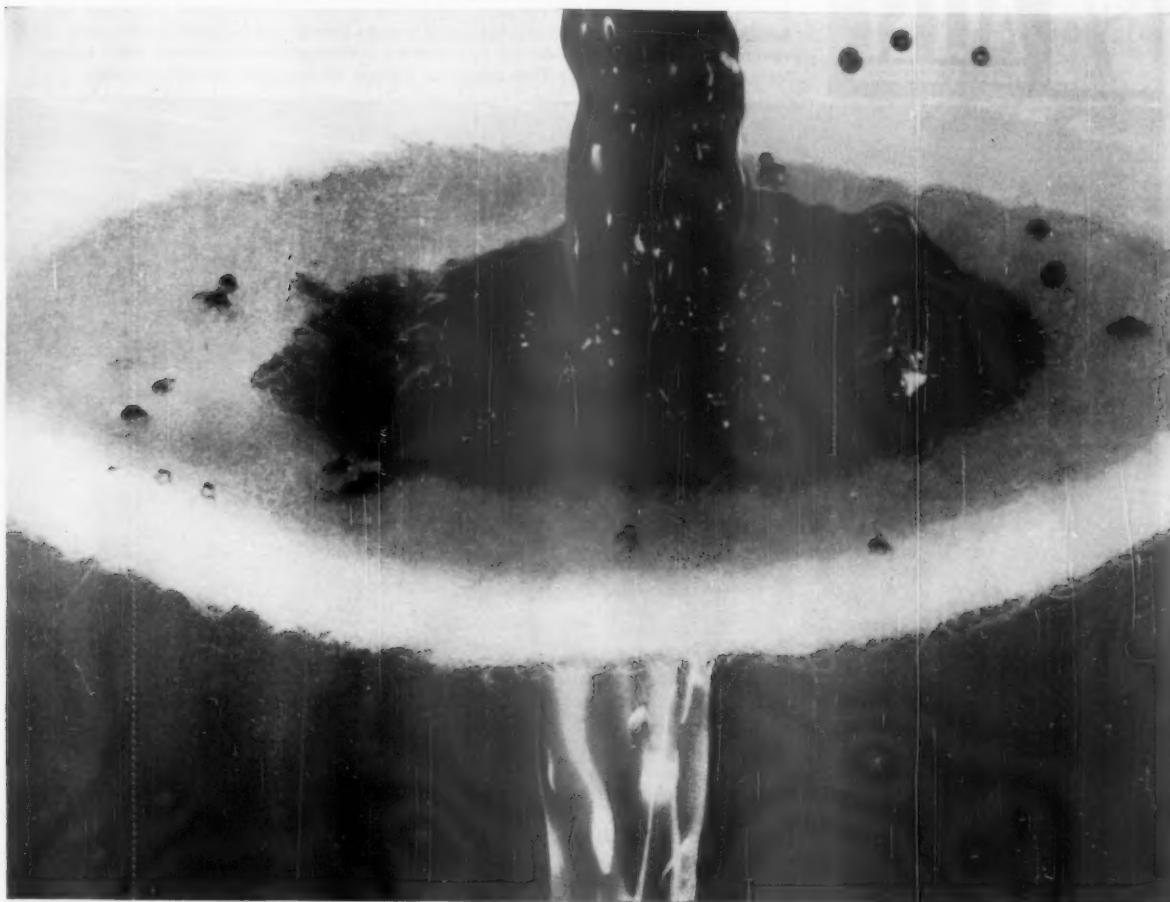


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General Offices: Cleveland 10, Ohio

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American Viscose makes the fibers, not the filters. If you make or use filters, it will pay you to investigate Aviseo fibers for more accurate, more economical filtration. Just fill in the Quick Reply Coupon.

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Here's how:

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- It helps you increase production, because it improves employee morale and creativity.
- It helps further your company's reputation as a good place at which to work.

Much of the success of a Group Insurance program lies in fitting the coverage to the company to assure that the plan

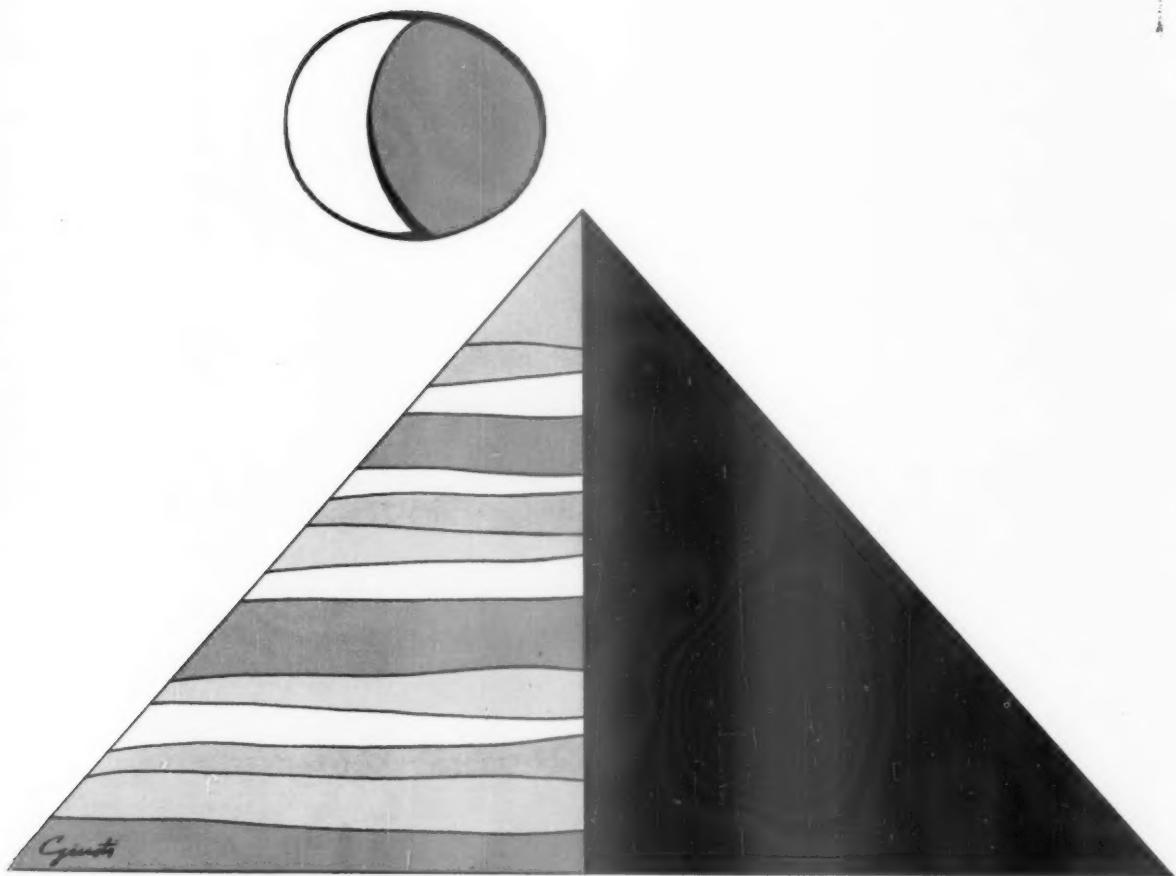
will fulfill its objectives and be flexible, economical, easy to administer. New York Life is a recognized leader in custom-planning these programs. Why not draw on this experience to put a successful plan to work in your company? Your agent or broker will supply the details, without obligation of course. Or write: New York Life Insurance Co., 51 Madison Ave., New York 10, N. Y. (In Canada: 443 University Ave., Toronto 2, Ont.)

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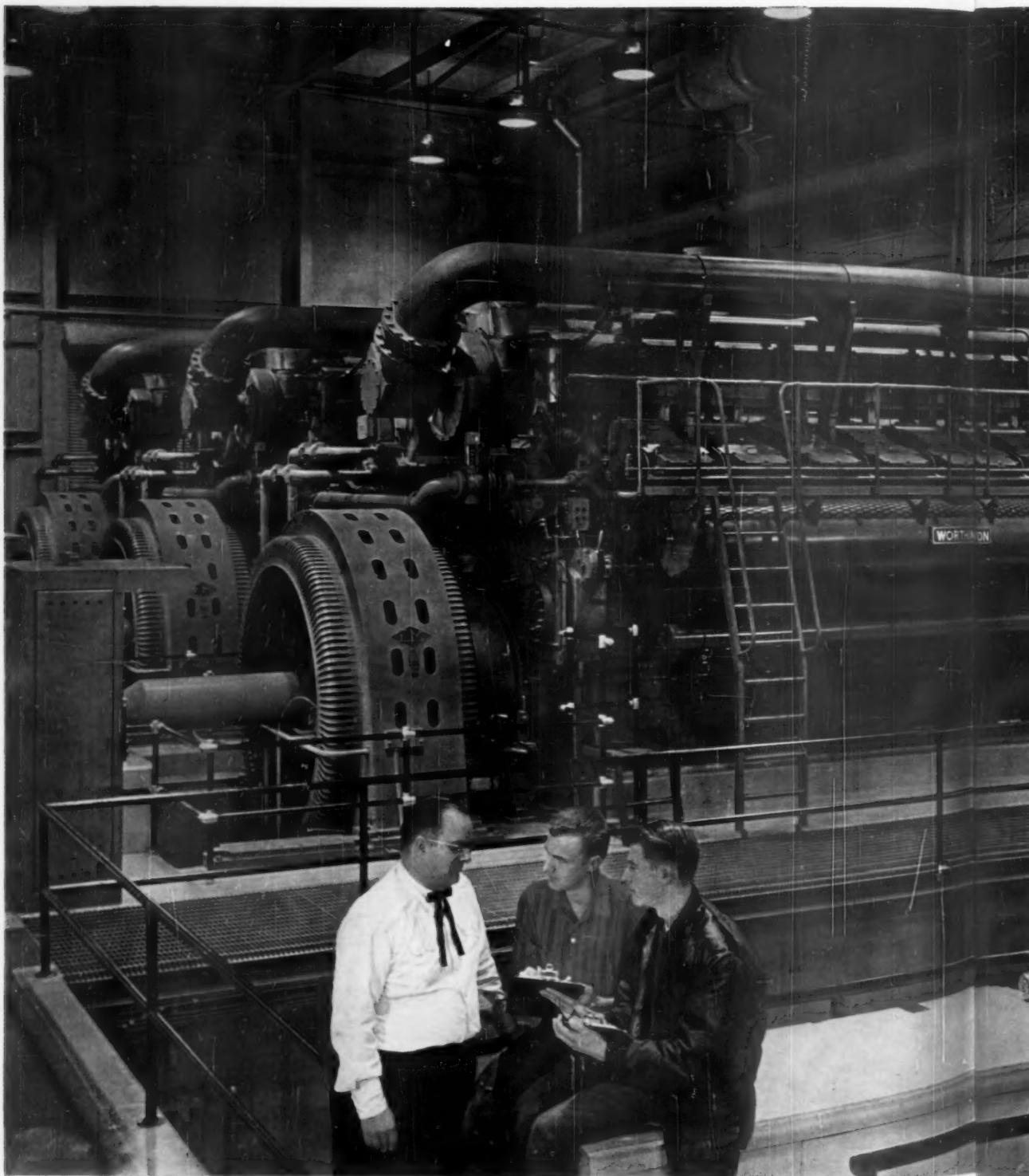


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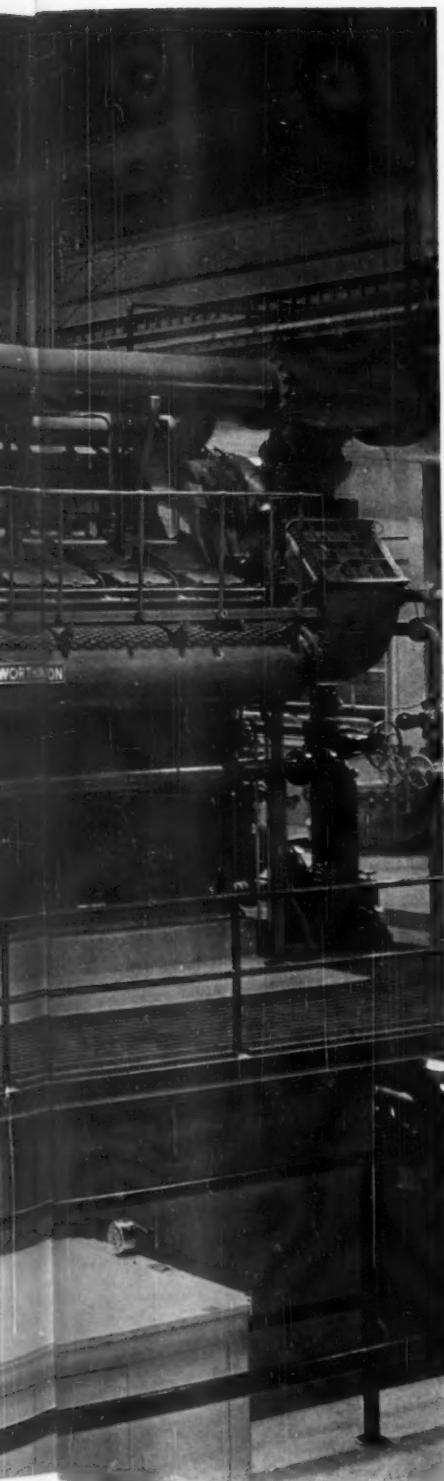


Western BRASS

Worthington engines  
play a big part in... **THE BOOM**



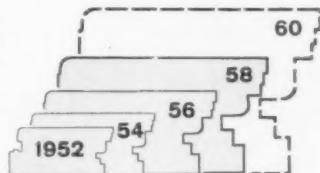
# IN BIG DIESELS



## What is the world's most efficient prime mover?

Usually, only an engineer will answer "diesel engines." Yet the diesel, invented before 1900, is still most efficient. It's even more efficient than the steam turbine which accounts for much of the nation's electrical power. A typical 3,000 kw Worthington high output engine is, for example, 25% more efficient thermally than a comparable steam or gas turbine.

Until recently, despite high efficiency, demand for big stationary diesels has remained fairly constant. One reason has been the comparative cost of fuels—engine fuels are not always as cheap as coal, for example. But recently there has been a surge of interest in these tremendous 500 to 6,000 hp engines. Why? The market seems to be rediscovering their basic values . . . some old . . . some excitingly new . . . and all demanding a fresh look at the low cost of producing power with big stationary engines.



**Engines Never Seem to Quit**—It's becoming increasingly evident that the life span of these engines is still unknown. Forty-year-old units are still plugging along. One reason is their slow rotative speeds—the fastest Worthington diesel turns a relatively slow 450 rpm. In fact, one Worthington engine clocked over 13 years of operating life on its original pistons and liners. Installed in 1924, it's still in daily service.

**Fuels Switched at Drop of a Price**—An increasingly desirable development in light of varying fuel costs is the Worthington engine that runs on gas, diesel oil or a mixture of both. The user can burn whichever fuel is cheapest at the time. Or he can buy gas at the lower "offpeak" or "interruptible" rate, knowing he can switch to oil at any moment. The Worthington Dual Plunger Pump makes instantaneous conversion possible while the engines run. Through this dual fuel operation, many municipalities, private utilities and industrial plants have reported fuel savings up to \$5,000 a month.

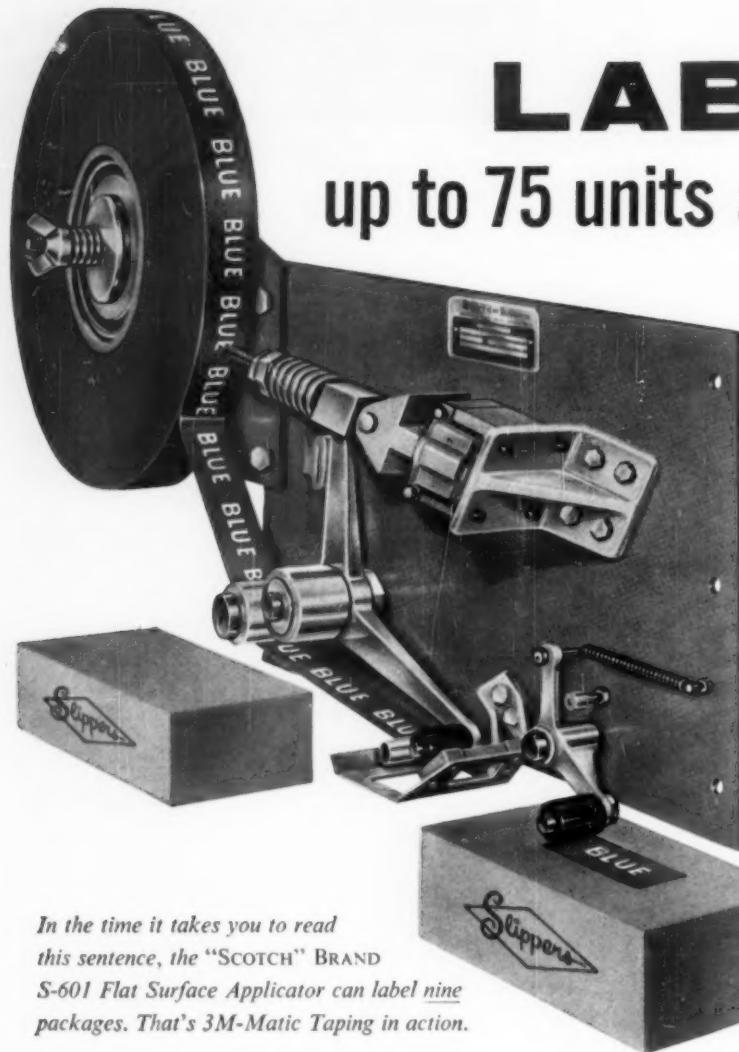
**Turbocharging Adds Muscles**—When the industry learned that forced charging of air could increase power output and efficiency, thus reducing space required for a given horsepower output, Worthington shared in the pioneering. Next step was turbocharging, in which the air charging compressor is turbine driven by the normally wasted energy from exhaust gas. How good is turbocharging? A typical Worthington turbocharged engine is 15-20% more efficient than the best naturally aspirated unit.

**Special Design Gets Most from Turbocharging**—Every user knows how turbocharging pays off. Yet today only one manufacturer has begun squeezing the most from turbocharging by designing for high pressure operation—above 200 bmeep. The engine is the Worthington SW14, now proved by 25 installations and over 200,000 hours of operation. Built in ratings from 1,500 to 5,000 hp, it has all the fuel and other options that make the stationary engines so versatile.

**Harnessing Heat Boosts Efficiency**—In engines much fuel energy is lost in generation of heat. With special engine jacketing that transforms water to steam for many heating or other process purposes, the total installation efficiency leaps upward. For example, by utilization of jacket heat and lube oil heat, the overall thermal efficiency goes to 58% in a Worthington engine. If recoverable exhaust heat is utilized in addition, the efficiency can be boosted to 76%. This is nearly double what the efficiency would be if measured by crankshaft output alone.

Skillfully applied to any power problem, the Worthington stationary diesel engines can produce a variety of economies that may likely add up to their being the least expensive power source. To learn more about these big stationary engines and their potential, we'd like to send you a copy of "Engine-eering." It's a folder of recently published articles on these engines. Please write Worthington Corporation, Section 43-13, Harrison, N. J.





*In the time it takes you to read this sentence, the "SCOTCH" BRAND S-601 Flat Surface Applicator can label nine packages. That's 3M-Matic Taping in action.*

See how this "SCOTCH" BRAND Flat Surface Applicator can speed up your packaging operation. It labels automatically up to 75 units a minute with any length of tape. Can be adapted to index and register printed tapes precisely, and at the same high production speeds. Tapes stick tightly, never smear, are supplied in a variety of vivid colors.

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**What's your labeling problem?** Boxes . . . cans . . . bottles . . . tubes? Chances are your 3M Representative can solve it for you. Ask your local "SCOTCH" BRAND Tape Distributor for more information or write: 3M Co., 900 Bush Ave., St. Paul 6, Minn.

*When tape costs so little, why take less than "SCOTCH" BRAND?*

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# BUSINESS OUTLOOK

BUSINESS WEEK  
AUG. 27, 1960



Industry's outlays on modernization and expansion won't be rising much over the rest of this year. This robs the economy of a plus it has been enjoying for the better part of two years.

To most observers, though, it isn't just the loss of the plus that is worrisome: It is the fear that outlays will turn down.

Quick examination of such figures as are available in Washington and around the country on business' capital spending turns up little, if any, evidence of a downturn over the rest of 1960.

However, business sentiment is such that at least a normally brisk autumn upturn in business will be needed to assure 1961 expenditures.

That, unquestionably, is one of the reasons that official policy has shifted to the side of easier money (BW—Aug. 20 '60, p23).

Final outlays for new plant and equipment this year shouldn't fall far short of the original estimate of \$37-billion.

That means we will come very close to 1957's peak (but probably not equal it). And it will represent a very good gain over the \$30½-billion for 1958 and \$32½-billion spent during 1959.

Manufacturing industries, however, are likely to come closer to 1956's \$15-billion than to 1957's record \$16-billion.

—•—

New orders for machinery (other than electrical) have held a pretty even keel as measured in the McGraw-Hill Indexes (page 2).

This is true despite a somewhat erratic performance in some individual types of equipment. And the over-all stability would seem to indicate no nearby fall in shipments of machinery generally.

Midsummer ordering trends are always likely to be erratic—and particularly when the summer holds little clue to the future. Thus, July's low level of new business in machine tools may be an accident, not a portent.

The month's preliminary figure for new orders for cutting and forming tools fell to \$42-million, lowest in a year and a half. This contrasts with \$55-million in June and \$63-million a year earlier.

Machine tool orders for the seven months through July, at \$378-million, top the same 1959 period by not quite \$10-million.

Domestic business, actually, has run behind. Foreign bookings for the seven months went a little above \$100-million—comfortably ahead of the \$90-million booked in the full year 1959.

Larger shipments of machines and industrial materials to Europe and Japan has been a feature of the U. S. export rise so far this year.

A significant part of this business has been with expanding European motor car manufacturers—some of them controlled by American producers. And it would not be surprising if American companies in other lines, expanding abroad, were buying equipment at home.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK  
AUG. 27, 1960

Exports of industrial equipment, helpful as they may be, carry no absolute assurance that the market will be permanent.

Sharply higher industrial activity abroad perhaps is making it necessary for foreign factories to buy more from us than we should expect to export as a regular thing.

The Federal Reserve Bank of Cleveland wonders whether "the close association of the industrial boom in Europe with the increase in U.S. exports suggests that the future success . . . may depend, to a large extent, on a high and rising level of activity in Western Europe."

—•—

**Reductions this week in interest rates that the big banks ask of their best customers on loans may strengthen spending on equipment.**

It must be said, though, that the banks were in no hurry to take the step and that it was grudging in many instances when it came. This implies that **money isn't going to be much cheaper for most borrowers**.

Some bankers, in fact, said this week that they are not yet ready to cut rates for those borrowers who are poorer risks.

As things have been going in recent weeks, **banks may not find their customers any too hungry for new credit**.

Usually, demand for business loans picks up shortly after midyear.

From July 1, to mid-August last year, loans rose by \$277-million. But in the comparable period this year, they fell by \$576-million.

If yields go on declining on other types of investments, such a trend in industrial repayment might soon begin to distress the bankers.

Perhaps some borrowers, expecting lower rates, stayed away from the banks recently. That could help explain the fall in loans.

But the biggest drop since July—\$333-million for companies producing metals and metal products—would logically seem to represent reduction of inventories and repayment of loans.

And the category made up of oil, coal, chemical and rubber companies reduced borrowings by \$80-million (against a \$7-million rise last year).

—•—

**Steelmen are dating that "pickup in orders" farther into the future.**

They had thought it would come in August for delivery in September. Now, with auto output at the year's low as models are changed, the steelmen are talking as if they wondered if a turn would ever come.

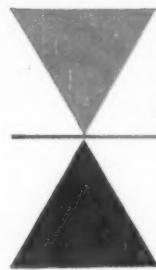
**In some areas, August to date has produced no more steel orders than July; for the industry as a whole, the gain is small.**

Chicago steel mills complain that their export market is slipping to complicate the slow rate of domestic ordering.

**Sales to Europe are off (possibly reflecting the shrinkage in British auto sales) and shipments to Africa have simply dried up.**

For domestic business, these mills say they can now give 10-day delivery on bar products against a more normal promise of 30 days.

**CANS OF ALCOA ALUMINUM** can give you increased profits. Major oil companies and their dealers can achieve savings of more than \$1,000,000 by converting to motor oil cans of Alcoa® Aluminum. Savings are accrued through reduced freight and printing costs... plus the scrap return value of the "empties." Similar savings apply to all companies that package their products in aluminum cans. Aluminum cans sell and save...from complete cans or can ends to aerosols to unit portion containers . . . for any product, you name it. Contact your can supplier or Alcoa. Aluminum Company of America, 2145-H Alcoa Building, Pittsburgh 19, Pa.



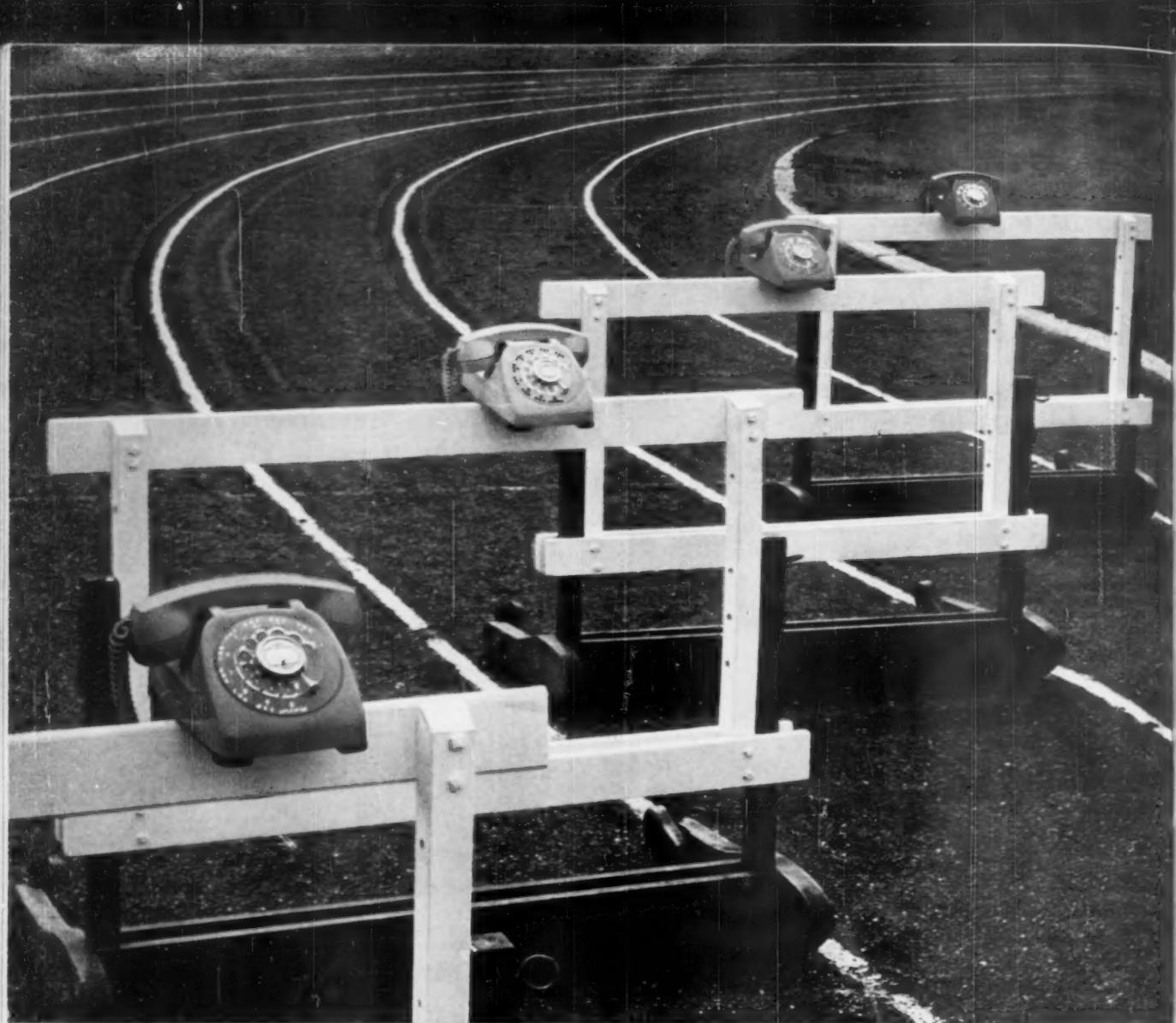
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At Gen Tel, we've made a running start toward solving many of tomorrow's communications problems.

For instance, scientists at General Telephone & Electronics Laboratories are working in the uncharted area of the spectrum where radio waves take on the characteristics of light. They have already developed an experimental ultramicrowave system that may one day make possible the transmission of two million messages on a single radio beam in free space.

Stepped-up research in the basic sciences is but one example of how General Telephone & Electronics is working to meet America's communications needs—not only for today, but for tomorrow.

General Telephone & Electronics Corporation, 730 Third Avenue, N. Y. 17.

**GENERAL  
TELEPHONE & ELECTRONICS**



AUGUST 27, 1960

NUMBER 1617

## In Congress, Nothing but Losers

● Both parties are suffering from setbacks on the "big three" bills—minimum wage, medical care, and school construction.

● Responsibility for passage or defeat is so muddled that it will be hard to say which party killed which bill.

● The Democrats are suffering most, since the special session is keeping their candidates tied to the Senate floor.

The specter of a "do-nothing" special session of Congress lent a new aspect to the Presidential campaign this week as lawmakers tried to take care of the "big three" bills awaiting action—minimum wage, medical care, and school construction.

Neither party is making any political hay out of the session. Chances are that when Congress adjourns, it will be hard to pin credit or blame on either party or on either Presidential candidate. Pres. Harry Truman scored points in 1948 by attacking a "do-nothing" Republican Congress, but Sen. John F. Kennedy can hardly use that line against a Democratic Congress led by his own running mate, Sen. Lyndon Johnson.

• **Itchy Feet**—Despite the important legislation hanging, Kennedy and Johnson are getting fidgety about being tied to the Senate floor while Vice-Pres. Nixon makes sorties out to the public platforms. This week, Kennedy at the last minute canceled a speech before the Veterans of Foreign Wars' national convention in Detroit because he had to stay to vote on the medical bill. Nixon, scheduled for the next day, was able to keep his date.

But the way things are going, Congress might well have to stay in session until after Labor Day if it expects to complete action on all three major issues.

• **Medical Care**—Responsibility for passage or defeat of key proposals is being muddled to such an extent that even a sophisticated observer would have difficulty saying one bill was killed by the Republicans or another by the Democrats.

The biggest loser this week, however, was clearly the Johnson-Kennedy

team. It took a humiliating defeat on a bill co-sponsored by Kennedy to provide medical care for the aged under the Social Security system. Even after Kennedy people had watered down the benefits to a level they hoped would be acceptable to conservative Southern Democrats, the measure still went down the drain, 51-44.

If Kennedy took a drubbing, Nixon came off no better. Kennedy could at least claim that the threat of a Presidential veto had helped kill his medical bill. The GOP's bill for voluntary medical coverage financed out of general revenues, sponsored by Sen. Jacob Javits of New York and endorsed by Nixon, was defeated 67-28.

This left the Senate with a medical bill nobody really wanted. It increases federal grants to states by \$190-million to help pay medical bills for needy persons over 65 who already are on welfare rolls.

• **Wage Bill**—Prospects for Kennedy's minimum wage bill also look bleak. Kennedy won a real victory getting Senate approval of his bill to raise the minimum from \$1 to \$1.25 and extend coverage to 4.2-million more workers. But at midweek it faced a Senate-House conference committee-dominated by conservatives of both parties—ready to tone it down much closer to the House bill providing a \$1.15 top and extension to 1.4-million workers.

• **School Construction**—The third big topic, federal aid for school construction, is tied up in the House Rules Committee. At midweek, that group still is refusing to permit a conference to iron out differences between Senate and House bills. Again, both Republicans and Southern Democrats are blocking action.

Legislative leaders are maneuvering to break the 6-6 deadlock in the committee. The key man is Rep. B. Carroll Reece (R-Tenn.), who has been against federal aid to schools. Nixon and Health, Education & Welfare Secy. Arthur S. Fleming hint that Reece may be persuaded to switch, and Reece is feeling heavy pressure from teachers from his district. Reece, to help out Nixon, could stay away from the committee meeting and the deadlock would be broken.

The House passed a bill granting \$325-million a year in matching grants for four years, with an amendment denying funds to segregated schools. The Senate approved grants of \$900-million a year for two years, including aid for teachers' salaries and an "equalization" formula—distributing the money more heavily to poor states. So the way is open for a compromise.

The Senate could agree to eliminate the grants for teachers' salaries, the House to knock out the segregation amendment. The dollar figures would be compromised and the bill would be on the way to the White House. Although Pres. Eisenhower dislikes the whole idea of federal grants for education, indications are that he would heed Nixon's wishes and sign. This would eliminate one potential campaign issue; both sides could claim credit for helping ease the school shortage. There's no assurance, however, that efforts to get the bill to conference will succeed, and without a conference there will be no legislation.

• **Second Chance**—Faced with these unfavorable prospects, Kennedy and Johnson are giving serious thought to calling the whole thing off and taking the issues to the voters. The theme would be that with strong leadership from the White House, the next session of Congress can put through liberal versions of all three measures as the Democratic platform promises. As far as the minimum wage bill is concerned, labor leaders seem to agree. They would rather take their chances with a new Congress than accept a modest bill.

It would be more difficult to adjourn with no action on the medical aid bill, because of popular Social Security amendments included in it.

The Senate bill contains provisions

for raising the post-retirement earnings limit under Social Security from \$1,200 to \$1,800 per year, and giving men as well as women the option to retire (with reduced benefits) at 62 instead of 65. The House bill, similar to the Senate's in its medical care provisions, would provide Social Security benefits to the disabled at any age (now 50), add physicians to Social Security, cover survivors of workers who died before 1940.

These amendments would cost \$1.6-billion a year, throwing the current income-outgo balance of the Social Security fund into the red again. A conference committee undoubtedly would tone down these costs, perhaps setting the earnings limit at \$1,500 and eliminating the lower retirement age.

• **The Record**—The special session of Congress did succeed in enacting a bill keyed to the Presidential campaign—suspending equal time requirements so that networks can give free time to Presidential and Vice-Presidential candidates of the major parties without doing the same for vegetarians and other fringe parties. Kennedy and Nixon are working out arrangements for three to five joint appearances on TV.

If Congress does not abandon work too hastily, it will also pass a bill outlawing payola and rigged quiz shows and providing fines for stations that violate regulations of the Federal Communications Commission. The Senate Commerce Committee has reported a bill that would meet little objection, scaling down a House-approved penalty of license suspension to fines of up to \$10,000.

Congress must also clean up several appropriations bills now in their final stages—such as \$3.9-billion for foreign aid, \$4.3-billion for a variety of public works, and \$4.4-billion for the health, Education & Welfare Dept.

One bill that Democrats considered top priority when Congress recessed before the conventions—an omnibus housing bill—was written off as soon as Congress reconvened. A tax bill approved by the Senate Finance Committee with a dozen assorted provisions is unlikely even to be considered by the Senate.

• **Pressure**—The Rules Committee is under subtle but persuasive pressure not to become the villain of the special session by blocking vital action. Democratic liberals are already pledging a move in January to strip the committee of some of its delaying powers.

Chmn. Howard Smith (D-Va.) does not want to give them too much ammunition. He agreed readily to permit a conference, for instance, on the minimum wage bill. It is unlikely that he will go home to milk cows during the critical closing days of the session as he did two years ago, leaving a frustrated House seething and steaming.

## Transport by Satellite

Another milestone has been passed in the developing space age—marking a further advance in learning how to get safely back from space as well as out into it. The payloads of three different satellites have been brought back from orbit to earth.

On Aug. 11, the U.S. Air Force recovered from the ocean the capsule from its satellite Discoverer XIII (BW—Aug. 20 '60, p26).

On Aug. 19, the service made a mid-air catch of the parachuting capsule of Discoverer XIV.

On Aug. 20, the Russians announced a successful land recovery of a much larger capsule containing two small dogs and a variety of plant, animal, and insect life.

• **Opening Chapter**—There is no question about the importance of these capsule recoveries from orbiting satellites. They open the way for a whole flock of experiments on the behavior of plant and animal life in space flights. The knowledge gained in this way will obviously be useful in coming man-in-space programs—but it is important in other ways, too.

The ability to return satellite payloads will make it possible to get back film from observation satellites such as Samos, destined to monitor territory of hostile countries, as well as from weather satellites. Though data collected by these satellites can be transmitted to earth electronically, the information received in this way lacks the detail provided by interpretation of actual photographs.

• **Not Simple**—Bringing the payload of a satellite back to earth is no simple trick. The Air Force has been working over two years to perfect its system, and there's no way of telling how long the Russians have been at it.

Little is known about just how the Russians accomplished their feat. If their claim to have landed their space capsule within 6½ miles of a preselected target area is true, it is an achievement of the first order.

• **How Air Force Does It**—The U.S. Air Force has concentrated its satellite recovery experiments in the Discoverer series of rocket firings from Vandenberg Air Force Base in California. The Discoverers orbit the earth from pole to pole, and are fired in a southerly direction by two-stage Thor-Agena rockets.

The recovery system works this way. After a Discoverer is fired, the second stage separates from the exhausted booster rockets. When it is about 8,000 miles down-range, and the second-stage rocket has finished firing, ground controllers operate small control rockets on the satellite to get it pointing backward.

It orbits the earth about every 94½ minutes, and on the 16th orbit, its flight path is directly over Alaska and Hawaii.

At just the right instant, a radio signal from Kodiak, Alaska, directs the control rockets to tilt the satellite's nose toward the earth. A rocket engine in the nose cone fires, separating the nose cone from the second-stage engine, and simultaneously slowing the cone and thus letting it move closer to earth. Slowed further by air friction, the cone arcs down to about 55,000 ft. The parachute opens, jerking the capsule payload free from the heavy, heat-resistant nose cone, and lowers the capsule.

• **Flying Catch**—Three to four hours before the actual separation, a fleet of nine or 10 big C-119 cargo planes fans out from Hickam Field, Hawaii. And if all goes well, the separation is completed by the time the satellite nears Hawaii. Ideally, the Air Force wants to drop its capsules in an area of about 60 by 200 miles, north of Hawaii. To date, one recovery was made about 300 miles south of the islands, the other about 300 miles north of them.

The C-119s have several aids in locating the capsule. When the capsule is pulled free of the nose cone, radar chaff is scattered to aid radar detection. The capsule itself is equipped with flashing lights and beacon signals. And a half dozen surveillance aircraft assist the C-119s in locating it.

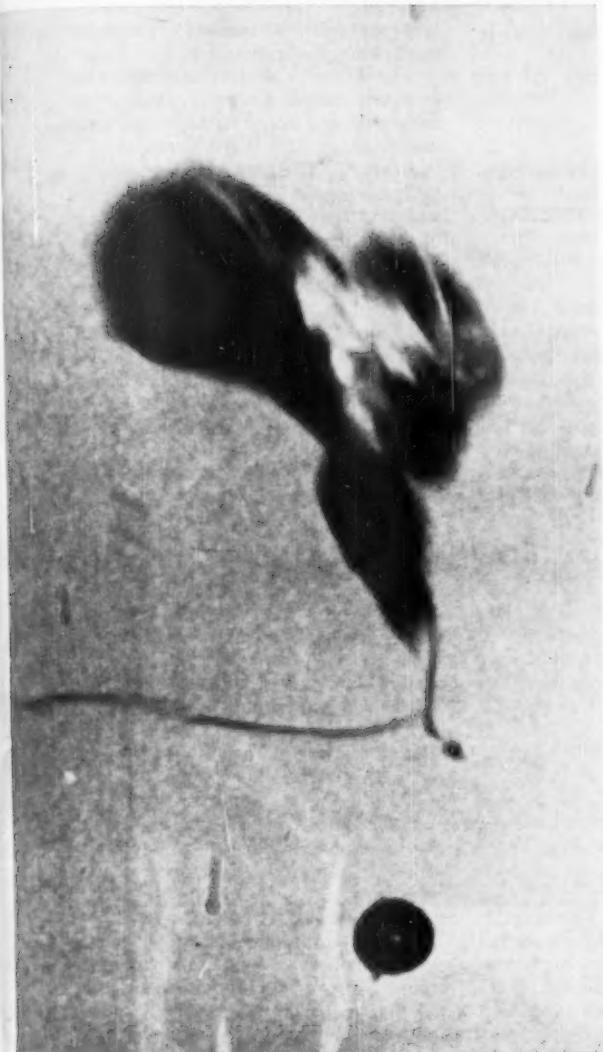
When the capsule is located, the nearest C-119 tries the catch. Each C-119 is equipped with long nylon cables dragging a grapple hook arrangement. The C-119 flies over the parachute at about 126 mph. and tries to snag it with the hook. If the chute is hooked, the C-119 lets the cable run free much as an angler plays a freshly hooked fish. In 20 to 30 minutes, the parachute and capsule are winched into the tail of the plane.

With the chute falling at about 1,800 ft. per minute, the C-119 has time to make several passes if the first fails. The plane that snagged the Discoverer XIV capsule made three passes before it caught the parachute, at 8,500 ft.

• **Score**—The Air Force is planning to substitute more maneuverable aircraft for the catch, permitting a start at higher altitudes, and faster turns. So far only eight Discoverer satellites have gone into orbit out of 14 launched, only two capsules have been recovered, and only one of these in mid-air before water could damage the capsule.

Repeated firings of the same satellite system have given the Air Force a high degree of reliability, however, and it's optimistic about its future capsule-catching average.

# Becomes a Round-Trip Affair



**U.S. AIR FORCE** recovers in mid-air space data from Discoverer XIV; grapnel hook swung from a C-119 on nylon cable snags parachute bearing capsule (above), and airmen pull it aboard plane (below).



**RUSSIANS** bring back two dogs alive from space. One is shown above, weightless, in orbit in what Russians say is picture from TV screen; below, Belka (right) and Strelka hold "news conference" after return.



# Chrysler Searches for a Clean Bill

Now it has investigations under way at two levels, with Thomas E. Dewey's law firm overseeing the work of the company's own law and accounting firms.

A four-man committee of outside directors is controlling the entire probe, which goes far down the management ladder and deep into personal affairs.

There is at least one Chrysler Corp. executive who is receiving offers from some other large companies, and in occasional moments of exasperation with his colleagues he is willing to listen. Right now, though, this man and several hundred other Chrysler officials are frozen in their jobs. They don't dare quit.

The reason is the extraordinary conflict-of-interest investigation of Chrysler employees, the extent of which was disclosed after last week's special meeting of the board of directors. A board statement said: "The investigation covers all officers and other key executives at Chrysler. Each has been required to make available, among other things, his tax returns, bank and investment records, and to furnish under oath information that will enable the investigators to determine any conflict of interest that could have existed over the last 10 years."

**No Whitewash**—The investigation, which started in the spring and resulted in the ousting of Pres. William C. Newberg on June 30, is being conducted by the law and accounting firms that have served Chrysler for years: Kelley, Drye, Newhall & Maginnes and Touche, Ross, Bailey & Smart.

But the directors are conscious of the Kelley firm's close ties to Chrysler—Pres. L. L. Colbert went into Chrysler from Kelley, and there is a Kelley man on the board. So they decided they had better have an impartial, experienced eye watching the Kelley investigators—just in case the word "whitewash" ever popped up, as it conceivably could if the suit filed by Sol. A. Dann (BW—Aug. 20'60, p33) ever goes to trial.

**Dewey's Firm**—Picked for this job was the law firm of Dewey, Ballantine, Bushby, Palmer & Wood—the first name being that of Thomas E. Dewey, two-time candidate for the Presidency and former governor of New York.

Dewey made his name with the public by trampling New York City's rackets in the 1930s. The naming of his firm certifies the seriousness of Chrysler's board and its investigators. It also leads to the thought that the Chrysler executive who wants a job in some other company can't leave until he gets, in effect,

a certificate of rectitude from one of the country's ace racket-busters.

As important personally as this may be to Chrysler employees, the retaining of the Dewey firm has far greater implications for the future management of Chrysler. That is clear from the assignment given the Dewey firm, and the circumstances under which it got that assignment.

## I. Who Minds the Store?

The board last week disclosed that a four-man committee of non-management directors is in control of the investigation. The committee consists of Joseph M. Dodge, chairman of the Detroit Bank & Trust Co. and former Director of the U.S. Bureau of the Budget; W. Alton Jones, chairman of the executive committee, Cities Service Co.; R. E. McNeill, Jr., president of the Hanover Bank, and Juan T. Trippe, president of Pan American World Airways.

These men selected the Dewey firm, one of three suggested by the Prudential Insurance Co. The Pru, for many reasons, has been keeping far in the background in the Chrysler situation. But its influence can be seen in the matter-of-fact remark of a man close to the scene that the Pru "insisted this group [the four-man committee] get a completely independent firm" to oversee the investigation being made by Kelley and by Touche.

**Ounce of Prevention, Too**—The Chrysler board was careful to say that it has "complete confidence in the thoroughness and impartiality" of the Kelley-Touche probe. It hired the Dewey firm "to determine the adequacy, scope, and extent of the investigation and to review the results."

What the board's special committee did not say is that the final report is supposed to contain recommendations to the board on how to avoid management embarrassments such as Chrysler now is suffering.

**Showdown**—Management circles in New York—including the Prudential—expect that before the Chrysler story is finally closed, there will be impor-

tant management changes. The basic issue: who minds the store.

The Chrysler board has never before challenged Colbert, who always managed to keep enough company executives on the board to maintain a majority. The conflict-of-interest exposure knocked Newberg off the board and neutralized Louis Warren, member of the Kelley law firm and the Chrysler board. So, for the first time, the outside directors in effect have a majority on the board.

The result is the four-man committee that is running the biggest job at Chrysler right now: the investigation of the employees—one of the most bizarre management activities that anyone can remember.

## II. The Quiz Masters

Attorneys and directors associated with the investigation can recall no precedent. This week, there even seemed to be some confusion on how far it has gone to date.

The Kelley-Touche team is headed by Frank Bensel, a partner in Kelley, Drye, Newhall & Maginnes. Working for him are a half-dozen lawyers and accountants. The work of Dewey, Ballantine, Bushby, Palmer & Wood is headed by partner Philip Scott.

**Probe Procedure**—The question Scott has to resolve as he goes along is just what the proper way to conduct such an investigation really is, in the absence of any guidelines of precedent.

Bensel's procedure started with a questionnaire to the management group. Answers to the questionnaires, together with individual tax returns and other financial data, are now flowing back for study by the investigators.

Dewey people seem to feel there is a long period of paper work and interrogation ahead. But people at Prudential who have kept in touch with the investigation are inclined to think that the questionnaire and other data will close the matter for most Chrysler employees. Consequently, they feel some optimism that the quiz will be over within a month.

**On the Carpet**—If something in the documents looks questionable, the Chrysler employee is summoned to a largish room on the fifth floor of the Chrysler administration building in Highland Park, Mich. He is questioned by one or two lawyers or accountants.

What if he doesn't want to answer the questions or to swear to his answers? "Nobody is forced to produce his records," says one of the four directors, "but they are doing it without hesitation."

The director concedes this is a very unusual state of affairs in personnel relations. But, he adds, "the circumstances are very unusual." Just how unusual is shown by the bewilderment of a man close to the scene who can't figure out just how the Newberg conflicts of interest were turned up in the first place. That's understandable when you know the story of Newberg's relationship with Ben Stone, a Chrysler supplier.

### III. Just Friendship

Last week Stone told that story. It started 10 years or so ago at a Parent-Teacher Assn. meeting where Ruth Stone met Dorothy Newberg. The two families lived about four blocks apart in the Birmingham (Mich.) area, and eventually the wives introduced their husbands. Newberg was a vice-president at Dodge; Stone was in building supplies and real estate. In 1951 Newberg was named president of Dodge (although that did not make him an officer of the corporation). The following May, he became a partner of Stone in Press Products, Inc.

• **Partnership**—Stone says he bought the assets of a company doing business with Chrysler—for which he had to get Chrysler approval—and discussed it with Newberg in routine, friendly contact.

"Newberg," he says sharply, "had nothing to do with approving my Chrys-

ler contracts or with obtaining the contracts. I got my contracts on competitive bids. I never got any consideration from Chrysler except what I earned by working like hell."

As auto suppliers go, Press Products was a small operation, doing about \$2.5-million worth of business a year, solely with Chrysler, and employing at peak about 100. Stone was manager, treasurer, salesman, engineer. In 1955, he tired and sold the business to Vacuum Products, Inc., of Rockford, Ill. At this point, the Stone-Newberg business tie ended with a splitting of the profits. But it quickly resumed.

• **Next Chapter**—"In April of 1955," recalls Stone, "I went up to the Dodge Div. to buy a free lunch. I had sold my business and didn't have anything in mind but to have lunch with some old friends. We were finishing lunch in the dining room when a purchasing agent I knew came over to the table and said, 'Just the man I'm looking for.' I told him I didn't know what he wanted, but I wanted no part of it."

Stone says the purchasing agent took him into the office of M. C. Patterson, at that time in charge of Dodge manufacturing and now a corporation vice-president, and said: "I think Ben here can make arm rests for us."

Stone says Dodge had five arm rest suppliers, who all charged more than 90¢ each and weren't able to deliver on time. Because he figured out an alter-

nate way of making the arm rests, he says, "They asked me to go into business making them. They paid me 74.6¢."

• **Back in Business**—Newberg still was head of Dodge, but now he was a corporate officer and soon would be elected to the board. Stone remembers, "At a party one night I told Newberg what I was doing and said: 'Bill, if you want in, you're welcome.'" And Newberg again took a half-interest.

What made this relationship so hard to track down was the fact that only once did the names of Stone and Newberg appear together on any corporate document that was open to normal inquiry. That was on the certificate of dissolution of Maple Mfg. Co., the successor to Press Products. Newberg's name was not on the corporate papers of either Press Products or Bonan, the company the two men formed in 1955 to make the arm rests.

• **Resentful**—That's what offends both Newberg and Stone. Someone had to arouse curiosity about Newberg's outside dealings; at the request of Colbert, he had to turn all his personal records over to Chrysler's lawyers. That's the only way his connection with Stone was found. And Stone, aggrievedly, said that he turned over to Chrysler attorneys all his records and that Chrysler's suit against him (to recover profits it claims came to him only because of Newberg's improper interest) is based on information he himself furnished.

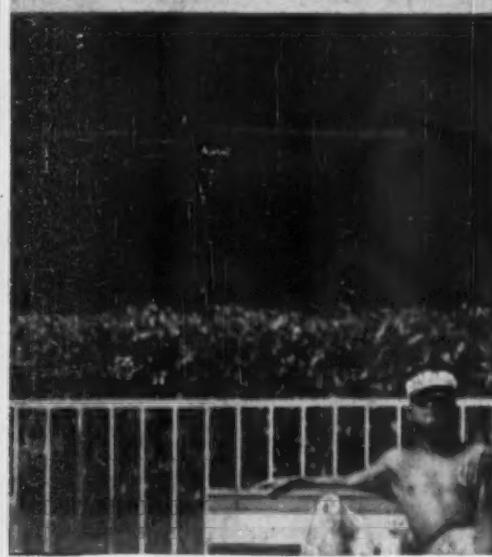
## The '61 CARS—Model introduction timetable

	GENERAL MOTORS		FORD	CHRYSLER	AMERICAN	STUDEBAKER
<b>WEEK OF SEPT. 26</b>			Ford Falcon	Imperial Plymouth Valiant Dodge		
<b>WEEK OF OCT. 3</b>	Buick Buick Compact Olds Olds F85	Chevrolet Corvair Pontiac Cadillac	Mercury Comet	Chrysler		
<b>WEEK OF OCT. 10</b>				De Soto	Rambler American Ambassador	Lark Hawk Cruiser
<b>WEEK OF OCT. 31</b>			Continental			
<b>WEEK OF NOV. 7</b>	Pontiac Tempest		Thunderbird			

©BUSINESS WEEK

UTO manufacturers try to be courteous to each other at least once a year—at new-model introduction time. No factory general manager likes to share billing on his opening day with any other car maker. But this year things are different. Because the

National Auto Show opens in Detroit, Oct. 15, most of the dealer showings of 1961 models are jammed into the two weeks before. Present plans—which still can be changed—call for 11 new models to be unveiled in the first week in October, five on one day.



**U.S. ENTRY** trains for high-diving events at Olympics, opening in Rome this week.

## Olympics Stir Echo of C

Rome rolled back its calendar this week to the days when its now ruined stadiums and amphitheaters reverberated to roaring crowds. The occasion was the opening of what promises to be history's most expensive, most stupendous, most lavishly appointed Olympic Games.

About 7,000 athletes from 85 countries—another record—are competing in the 17th Olympiad. The U.S. leads, with a delegation of 388 athletes, who will cost sponsors a total of \$1.5-million just in transportation to and from the games and in maintenance while in Rome. American companies contributed another \$250,000 worth of training costumes and uniforms. Russia comes second, with 330 participants. Germany is third, with 310. Even Formosa is represented, with 72 contestants.

• **Transportation**—To transform Rome—a poorly equipped city from the standpoint of athletics—into a first-class sports center was a big and costly job. The

city spent \$30-million on sports facilities, including three stadiums with a total seating capacity of 200,000. It cost millions more to widen streets and work out ways to cope with the extra traffic and confusion generated by the influx of tourists. The result is that Rome's sports facilities now probably outrank those of any other city in Western Europe.

• **Returns**—Nobody—least of all the Romans—expects immediate returns on the huge outlay. But all the new construction is permanent, including Olympic Village, which was built to accommodate the athletes, but which later will be used for low-cost housing for 1,700 families. Also, Italians believe that the facilities will attract all sorts of sports events for years to come.

Short-term, the estimated direct revenue from the games will be only about \$8-million—\$4-million from the box office, \$2-million from concessions, and \$2-million from radio and TV rights.



PALAZZO DELLO SPORT, a circle of glass and concrete, is scene of many of the indoor sports events at 1960 Olympics.

## f Old Rome

Ticket sales got off to a slow start, but have perked up and are now running ahead of the Melbourne mark. About \$3.5-million worth have been sold so far, in spite of the reluctance of the Roman public to pay steep prices for anything other than opera. If every last ticket to every last event were sold, total intake would be only about \$5-million.

• **Historic Touches**—The only major gripe has been that there is no really compact Olympic area. Events are spread over the entire city. This was inevitable, once the Italians decided to use the Eternal City itself as a backdrop for the games. For example, gymnastics are being held in the historic baths at Caracalla; wrestling matches will take place in the ruins of the basilica of Massenzio; and the route of the 25-mile Marathon sounds like a tourist plug for ancient Rome. To help participants get to the various sports events, the Italian army has set up a special helicopter shuttle service.



GYMNASTS Abraham and Muriel Grossfeld of Urbana, Ill., act like two tourists.



ROMAN SANDWICH in English advertises "Olympic Dinner" for 700 lire (\$1.10).



U.N. SECY-GEN. Hammarskjold (left) wins Security Council victory over Soviet-Congolese attack on his Congo policy as . . .



CONGO'S Lumumba bows to decision, but his political insecurity remains a danger.

## Victory for U.N. Gives

The United Nations emerged from its most critical hour in the Congo crisis this week with victory over its challengers, the Soviet Union and Congolese Premier Patrice Lumumba. At least temporarily, the Russians and the Congolese leader dropped their demands that U.N. forces in the Congo be used, in effect, against rebellious Katanga Province.

At the same time, U.N. Secy.-Gen. Dag Hammarskjold won what amounted to another vote of confidence from the Security Council for his policy of keeping the U.N. out of internal Congolese politics; specifically, that means the struggle between Lumumba's central government and Katanga.

When the issue came to a head, the Soviet Union decided against seeking a showdown with Hammarskjold in the Security Council. What brought about this decision was the growing support from African nations for the

Secretary General's policy in the Congo. Rather than offend the Africans on this point, the Soviet delegate did not press for a vote on his resolution—though this, too, aimed at African support by providing for transfer of control of U.N. operations from Hammarskjold to an Afro-Asian committee required to consult daily with Lumumba.

Throughout the week preceding the critical Security Council meeting, Western diplomats worked hard behind the scenes to convince African leaders that if Lumumba, with Soviet backing, succeeded in forcing the U.N. out of the Congo, all Africa could become a political football in the power struggle, and African hopes for a degree of independence and dignity could be compromised.

- **Africa and the U.N.**—To most new governments of Africa, the U.N. represents the major channel through which they can influence the course of world



SOVIET delegate Kuznetsov (left), lacking African support, fails to press demands by him and Congo Vice-Premier Gizenga (right).

## Breathing Spell in Congo Crisis

events. When the U.N.'s prestige and authority was challenged head-on by Lumumba, most of them—with Ghana, Tunisia, and Morocco in the vanguard—came to Hammarskjold's defense. Even Communist-influenced Guinea was reported as temporizing.

In this situation, Moscow clearly came to the conclusion that whatever political gains it could score in the Congo by supporting Lumumba in defiance of the U.N. would not be worth the risk of alienating most of the rest of Africa and wide sections of Asian opinion as well.

• **Lumumba's Backdown**—Lumumba, deprived of assurance of Soviet support, either had to come to terms with the U.N. or demand on his own that U.N. forces withdraw or submit to his orders. After a long private conference with Soviet Ambassador to the Congo Mikhail Yakovlev, Lumumba bowed to the Security Council. He withdrew, at least

for the moment, his threat to ask the U.N. to leave the Congo, and to seek help from countries friendly to him.

Lumumba apparently concluded that his own political position, threatened on all sides by secessionist movements, was not strong enough to allow him to defy both the U.N. and African opinion unless he had unequivocal backing from the Soviet Union.

### I. Rescue Operation

Thus, at midweek, Hammarskjold and the U.N. had won a breather in which to get on with the formidable task of restoring order and some semblance of normal economic life in the stricken republic.

Even during the past turbulent weeks, the U.N. has pressed on with these operations. "We don't claim to have worked miracles, but we've made some progress," a U.N. official said. "We've

kept on working regardless of the political turmoil."

• **What U.N. Has Done**—At the moment, there are about 100 civilians working for the U.N. in the Congo in its restoration job. Under their supervision, oil pipelines have been put back into operation, port traffic reorganized, the Congo River dredged at the port of Matadi to almost its full 30-ft. depth, and rail traffic resumed between key points.

In the midst of Lumumba's most vitriolic attacks last week on the U.N., the Congo's minister for education initiated an agreement with UNESCO calling on the latter to recruit "hundreds" of teachers for the Congo to help replace the Belgian teachers who fled.

With public health under U.N. supervision, the basic problem now is unemployment. Of Leopoldville's 90,000 employable natives, 50,000 are

without jobs. Under the Belgians, unemployment normally ran about 25,000. U.N. teams are now surveying construction projects that could be started to help provide jobs.

• **Mollifying Moves**—To improve the local atmosphere, Hammarskjold made two moves last week to mollify Lumumba. He announced the replacement of Dr. Ralph Bunche as his personal representative in the Congo by Rajeshwar Dayal, Indian high commissioner to Pakistan. The thought was that an Indian might be more acceptable than an American to both Lumumba and Moscow, and at the same time might rally firmer Asian support for the U.N. operation in the Congo.

## II. Uneasy Balance in Congo

Hammarskjold also began appointing an advisory committee of representatives of nations with forces in the Congo. While superficially this was a concession to the Soviets, the fact that the committee will be appointed by Hammarskjold means that it will have a strictly advisory and not supervisory role.

Behind the reversal of position by the Soviets and Lumumba were three factors—and on them rest hopes that the Congo crisis may have passed its peak:

- The vigor with which African-and Asian-opinion has rallied behind the U.N.
- The deference shown by Moscow to African opinion.
- Lumumba's political insecurity, which limits his ability to oppose the U.N. on his own.

Not even the most optimistic observers, however, expect the crisis just to subside without further eruptions of violence and grave new challenges to the authority and the role of the U.N. Almost always volatile, African opinion is likely to be swayed back and forth by the actions of the major protagonists. And the Soviet Union, almost certainly, will continue attempts to foment as much trouble as possible short of courting any diplomatic isolation for itself in Africa.

• **Lumumba's Position**—Lumumba's very political weakness is a source of danger as well as of hope. It could push him to desperate acts of violence instead of restraining him. Anti-Lumumba pressure for some sort of confederation of Congolese provinces under a central government with limited powers is growing steadily.

The question is how Lumumba will react to this pressure.

Lumumba's main source of power, outside of his native Orientale Province, is the unruly and unreliable Force Publique, the Belgian-trained militia that went berserk after independence. He has kept in power by whipping up the anti-white emotions of the Force

Publique, using it to intimidate moderate forces. His attacks on the U.N. have also gained him some general support from a public made suspicious of all foreign influence by its experience with colonialism.

• **Best Hope**—The best hope at this stage for avoiding a bloody civil war in the Congo rests on the fact that so far none of the contending parties appears to have developed the necessary military power to attack the others successfully.

This balance of weakness, however, may not continue much longer. Active recruiting and training is in full swing in Katanga, and Lumumba is trying hard to discipline and expand his Force Publique. Reports at midweek that Lumumba was airlifting troops into Kasai Province adjoining Katanga indicate that new violence probably is not far beneath the surface.

- **U.S. Stand**—A major civil conflict

would put the U.N. on the spot. But as of now the U.N. has won a major victory, and its prestige and potential usefulness in similar situations in the future is at a new high after its present success.

The U.S. feels strongly that the U.N. must stay in the Congo. Even if Lumumba were to order U.N. forces out, the U.S. almost certainly would use all its influence to keep them there. Appeals to the Congolese parliament and cabinet over Lumumba's head might be tried. If that didn't work, the U.S. probably would seek to refer the crisis back to the Security Council and eventually to the U.N. General Assembly before actual withdrawal took place.

An effort might be made to find some formula under which the Assembly could authorize what would amount to a temporary trusteeship under another name over the Congo.

## Dispute on Ghana Power Eased

A low-interest U.S. loan for Volta hydro scheme will permit rates aluminum companies want.

A proposed \$304-million hydroelectric and aluminum development project in the West African state of Ghana appears headed back on the track once again this week. A bitter dispute over the electric power rate Ghana would charge private aluminum producers had threatened to sidetrack the whole deal to develop the Volta River (BW-Aug. 20'60, p109).

The U.S. State Dept. helped ease the problem last week with an offer to loan \$30-million toward the first of three hydro dams and plants called for in the project. Because this capital would bear a low interest rate, Ghana would be able to charge less for the power.

But disagreements still persist among the project's assorted participants—a private consortium of international aluminum producers headed by Kaiser Industries Corp., plus the World Bank, plus the governments of the U.S., Great Britain, and Ghana.

The dispute over the rates to be charged points up the difficulties that can arise when international private capital and management are merged with government foreign aid in a partnership approach to industrializing underdeveloped areas abroad.

• **Rate Dispute**—The big snarlup came last month when the World Bank recommended that Ghana set a rate of 2.5 mills to 3.5 mills per kilowatt hour on power to be sold to the aluminum companies. The bank said that would be needed to assure repayment of its loan at 5½% interest.

Ghana Prime Minister Nkrumah then asked the consortium, Volta Aluminum Co. (Valco), to pay 4.5 mills. The group, whose silent partners include Reynolds Metals Co., Olin-Mathieson Chemical Corp., and Aluminum Co. of Canada, immediately charged that Nkrumah was trying to jack up the rate, with World Bank encouragement.

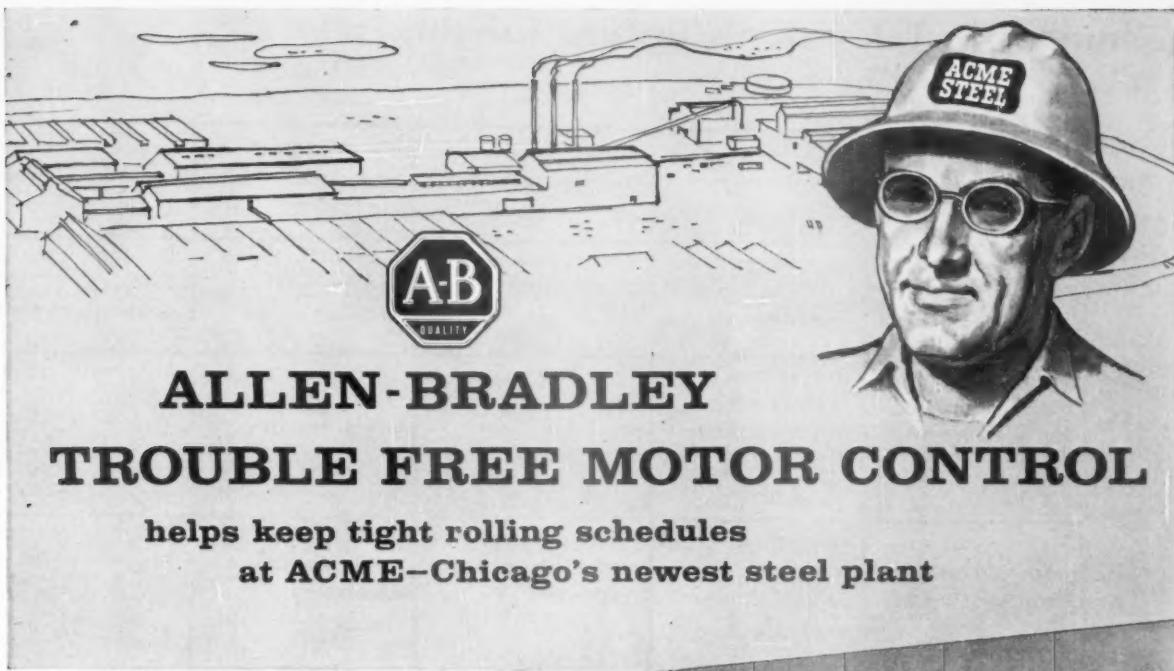
Literally overnight, Nkrumah dropped the proposed rate to 3.5 mills, but Valco continued to balk; it is still holding out for a rate between 2.75 mills and 3 mills.

• **Financing Problem**—To make lower rates possible, Nkrumah began to look for low-interest foreign aid money. He wants the \$30-million offered by the U.S. to come from the State Dept.'s Development Loan Fund at 3½% interest. But the U.S. wants at least part of the money provided by the Export-Import Bank, which charges a higher interest rate and requires that U.S. equipment be purchased.

Britain also is expected to offer low-interest money for the project.

But these differences are expected to be ironed out in a few weeks. Through the long negotiations over the Volta project, Nkrumah has held one trump card—Russian offers to build it.

With the U.S. offer of \$30-million, Ghana has just about all the capital it needs for the project's first dam, which will cost \$156-million. Ghana itself will put up \$80-million, and the World Bank will contribute \$45-million.

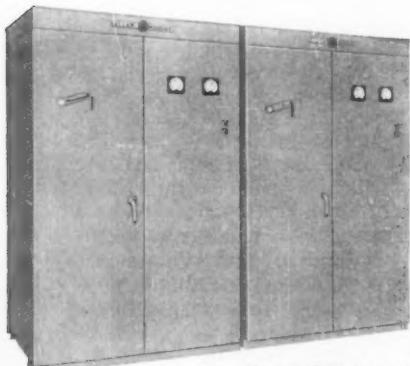


## ALLEN-BRADLEY TROUBLE FREE MOTOR CONTROL

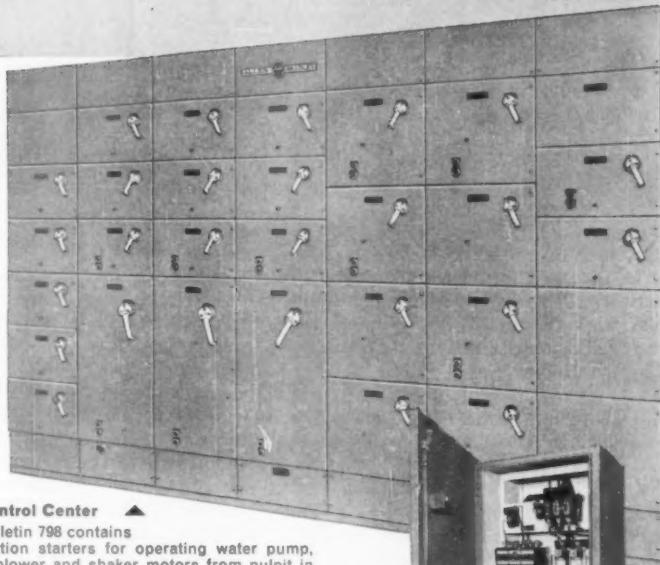
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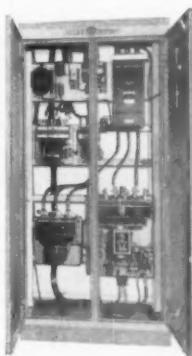


▲ Two A-B Bulletin 922  
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motor.



▲ **Bulletin 746**  
autotransformer reduced voltage starter for 60 hp, 440 v  
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## Changes in Television's Picture for the Fall

	PRIME TIME PROGRAMS LEFT TO BE SOLD	REGULAR PROGRAMS	OTHER PROGRAMS	TRENDS IN SPONSORSHIP	OTHER TRENDS
<b>ABC</b>	Half of two shows, one-third of two others	Three evening cartoon series; more action-adventure	Sports coverage greatly expanded	More automotive and auto accessory advertising	Sales and ratings continue to improve
<b>CBS</b>	Only two-thirds of "Person to Person"	Seven new situation comedy series	More prime-time public affairs	A bit more multiple sponsorship	Still the leader in total national ratings
<b>NBC</b>	Half of two shows; one-third of one show; scattered minutes	More situation comedy and "family" shows	Schedule of specials cut in half, to about 100 shows	More multiple sponsors, more small sponsors	50% more color programming
<b>Over-all, this means ...</b>	Net revenues of networks should total \$615-million	Westerns on wane; less aiming at competing programs	More politics, more controversial programs	More multiple and short-term sponsors	More hour-long programs

© BUSINESS WEEK

## TV Nets Try Counter-Programming

As the television industry rolls into the start of the 1960-61 season, it can contemplate another profitable program year. Ad revenues from all sources—network, spot, and local—should hit a new high of almost \$1.7-billion, says the Television Bureau of Advertising. That's an increase of about 10.5% over last year's record intake.

TBA figures have to be scaled down somewhat to reflect frequency discounts and other price allowances. Even so, TV should enjoy a net dollar inflow of around \$1.3-billion this season.

- New Line-Ups**—Although sponsors will pay out more in total dollars than ever before, this year there will be a number of different sponsors paying for different shows on different networks. And the networks themselves will be offering some quite altered line-ups this season; NBC's 25½ hours of evening programming this year will include 11½ hours of shows that weren't on the air last season.

Ratings explain this turbulence. Last season, ABC emerged as a full-fledged contender in the ratings race. TV competition has always been a kind of king-of-the-mountain game where sponsors and programs didn't last long if they weren't on top. It's an expensive medium, sold mainly on the premise that it reaches the most people.

- New Approach**—The networks' programing schedules reveal that they have come to accept this as a three-sided struggle. Says NBC: "Never again will

there be a predominant network. We're competing for our third of the audience, and we're trying counter-programming to do it." Counter-programming seems to be the key to network competition this fall. No longer will you see the three networks trying to outshoot each other by presenting three Westerns at the same time.

A more typical cross-section of the schedule can be seen by looking at, say, nine o'clock on Wednesday night. ABC will offer an action-adventure series, "Hawaiian Eye." CBS will present a situation series, "My Sister Eileen." NBC will counter with the musical-variety "Perry Como Show."

Viewers can look forward to more hour-long episodes, particularly at the start of the evening. The nets will attempt to "anchor" viewers for the evening by starting with hour-long shows. Hour shows also cost the networks less than two half-hour series.

The Western's sun seems to bewaning. ABC is switching to action and adventure series. CBS and, to a lesser extent, NBC will offer expanded schedules of situation comedies. Although CBS acknowledges that such shows represent the "biggest gamble" and suffer the highest initial mortality rate, it points to the longevity enjoyed by a successful situation comedy and the possibility of lucrative rerun revenues.

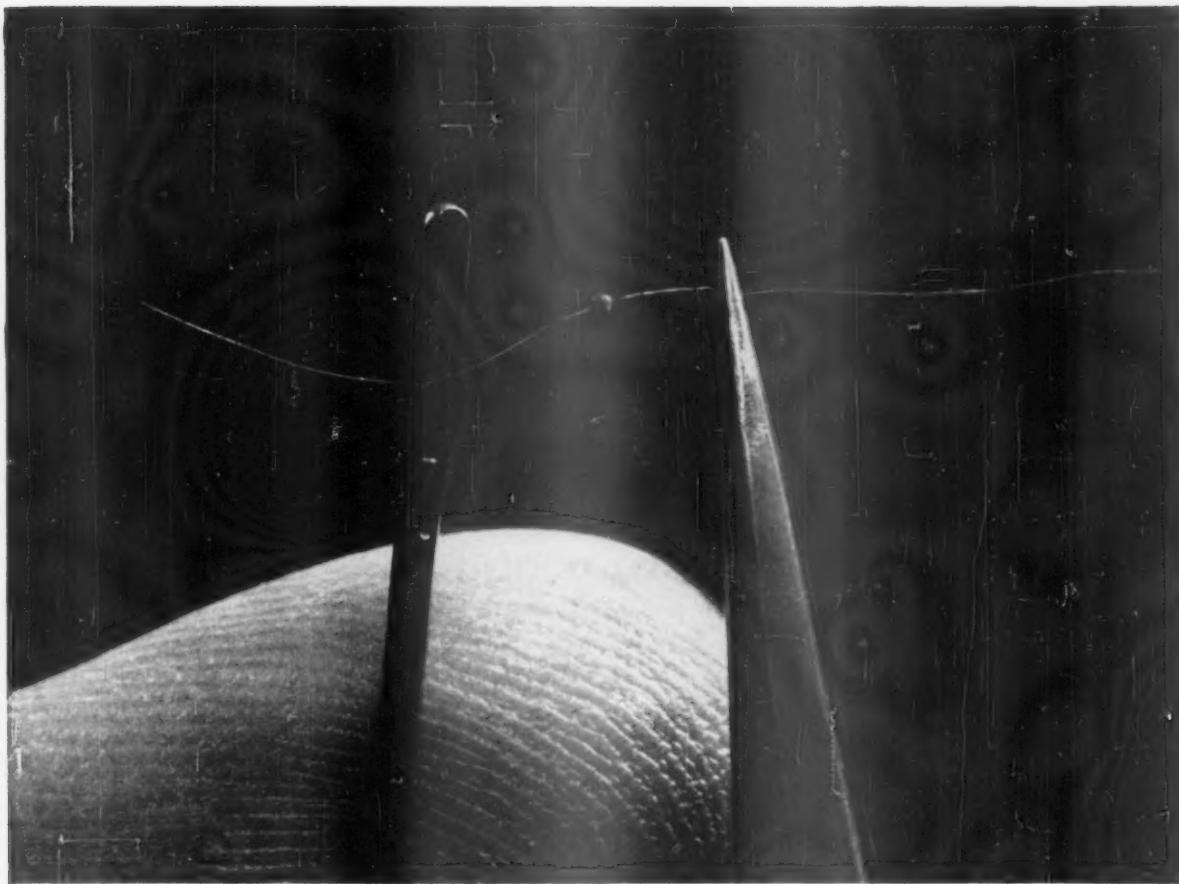
- Sponsor Identification**—Sponsor considerations also may underlie the shift to situation comedy. There has been

a growing interest in looking behind the ratings to see what impression a sponsor is making on his millions of viewers. One rating service, Trendex, regularly asks people to name the sponsor of the TV show they are watching. For the last two years, ad agency Norman, Craig & Kummel has taken this Sponsor Identification figure and combined it with Nielsen audience figures to arrive at a sponsor identification index.

The "violent" shows—mostly Westerns and detective series—which have been attracting the big audiences, ranked very poorly in terms of total audience recollection of the sponsor's name. On the other hand, variety shows and situation comedies, which rated lower in total audience, ranked high in sponsor identification.

Sponsorship schedules for the fall season show effects of this finding. Practically all of the situation shows will have one, at the most two, sponsors. Conversely, the action-adventure series will sport whole clusters of advertisers.

- Local Prospects**—Local station operations can anticipate a favorable year. While network advertising dominates the scene, spot advertising is increasing at a faster rate. It should grow about 12% this year, with net revenue running over \$340-million. Individual stations are stretching their program days. And station operations should attract greater viewer interest by programing the post-1948 films.



**Needle's eye reveals** relative size of the thermistor, a tiny bead of Nickel oxide and other materials, used to measure temperatures in and beyond the earth's

thin envelope of atmosphere. Made by Gulton Industries, Inc., the thermistor now serves in more than a dozen different missiles and satellites.

## "Space thermometer" goes thru needle's eye

**Meet the bead thermistor**, member of a family of electronic devices now going into everything from midget radios to giant computers and missiles.

This particular thermistor measures temperatures in space — temperatures ranging from 572° F all the way down to 76° below zero Fahrenheit.

You can hardly see the bead with your naked eye. Although it's only a *hundredth of an inch* in diameter, and the lead wires are a mere thousandth of an inch thick, the thermistor is an extremely stable and rugged device, accurate to within a fraction of a degree Fahrenheit.

**Made of Nickel oxide** and other materials, the thermistor is a space-traveler in many of today's missiles and satel-

lites. It reliably reports on gradients of temperature within the earth's thin atmospheric shield and in outer space. At the same time, it helps record the temperature changes in the missile's skin and its interior.

**What is a thermistor?** Its name, which comes from THERMAL resISTOR, begins to explain. Temperature changes as small as 1/50th of a degree produce a measurable change in the electrical resistance of the pellet. The resulting increase or decrease in circuit current can then be used directly, as a signal, or can be recorded in the form of temperature readings.

Originally developed by Bell Telephone Laboratories for communications equipment, thermistors are now widely

used where a tiny, precise, and dependable thermometer is needed: in medical research, in over-load switches to protect electric motors, and in shipment of perishable foodstuffs, for example.

**The role of Nickel** in the thermistor is only one example of the remarkable versatility of this element.

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# In Business

## Northrop Wins Contest to Test Slits in Wings to Reduce Drag

The Air Force this week announced signing of a \$20-million contract with Northrop Corp. for two experimental planes with "air-breathing" wings. By cutting the drag of turbulence in the boundary layer—the air closest to the wing surface—Northrop and the Air Force hope to extend a plane's range by 50%. The range could almost be doubled by also applying the principle to the fuselage, a Northrop spokesman says.

The layer of air adjacent to the plane's surfaces moves more slowly than the air farther away. This sets up turbulence, whose friction slows the plane. Engines can overcome the drag only by working harder and consuming more fuel.

In Northrop's experimental design, extremely narrow slits are cut the full length of the wing, and pumps suck the boundary layer of air into the wing, eliminating the turbulence and the drag.

Major builders of aircraft have been working for years on boundary layer control, but mostly for high lift to get a military jet plane off the ground faster. One obstacle to general use of remedies is that a plane must be absolutely clean—even a fly speck or a fingerprint on a wing may set up a tiny turbulence. An industry expert suggests that this problem alone may be enough to postpone use of Northrop's principle in commercial airliners for 10 years or more.

## CAB Takes Up Key Route Questions, May Cut Minimum Rates for Air Cargo

Airlines, travelers, and shippers are all involved in the Civil Aeronautics Board's unusually important docket of business for the next few weeks:

- Hearings Sept. 7 on proposed expansion of air routes across the Pacific. An examiner has recommended (BW-Jul.30'69,p38) that Pan American World Airways and Northwest Airlines be allowed to originate Pacific flights from additional cities, even in the Midwest and East Coast in PanAm's case. He also recommends a link between Northwest and Trans-World Airlines at Tokyo and Hong Kong, to provide a second U.S. round-the-world route.

- Hearings Sept. 26 on a new southern route across the U.S. (BW-May16'69,p36). An examiner recommends making Delta and National Airlines into transcontinental systems by extending them to the West Coast from Delta's terminus at Fort Worth and National's at New Orleans. Additions are also recommended to American, Braniff Continental, and Eastern routes in the South.

- Receiving of comments from interested parties up to Oct. 14 on proposed selective cuts in air cargo rates. Cargo airlines, looking ahead to delivery of Canadair CL-44 turboprop planes next year, expect economies in

the air and on the ground that will permit deep slashes in some commodity rates—not those now carried much by air but those now carried by rail and truck.

CAB set the present minimum rates in 1953, when only piston-engined planes were on the market for cargo carriers. The CL-44 was specifically designed for commercial air cargo.

In July for the first time, airline volume of coach passenger exceeded that of first-class passengers on domestic routes, the Air Transport Assn. reports.

## U.S. Approves Live Oral Vaccine For Polio, Works on Production Rules

Pharmaceutical companies are getting set to make live polio vaccine, to be taken orally, after this week's announcement by U. S. Surgeon Gen. Leonard E. Burney that live-virus vaccine is suitable for use.

No licenses for manufacture are expected to be issued until next spring, and stiff requirements for safety and quality control will be written. But it looks as if the vaccine will be generally available a year from now. The U.S. Dept. of Health, Education & Welfare is already working up plans with state and local health agencies for mass immunization programs.

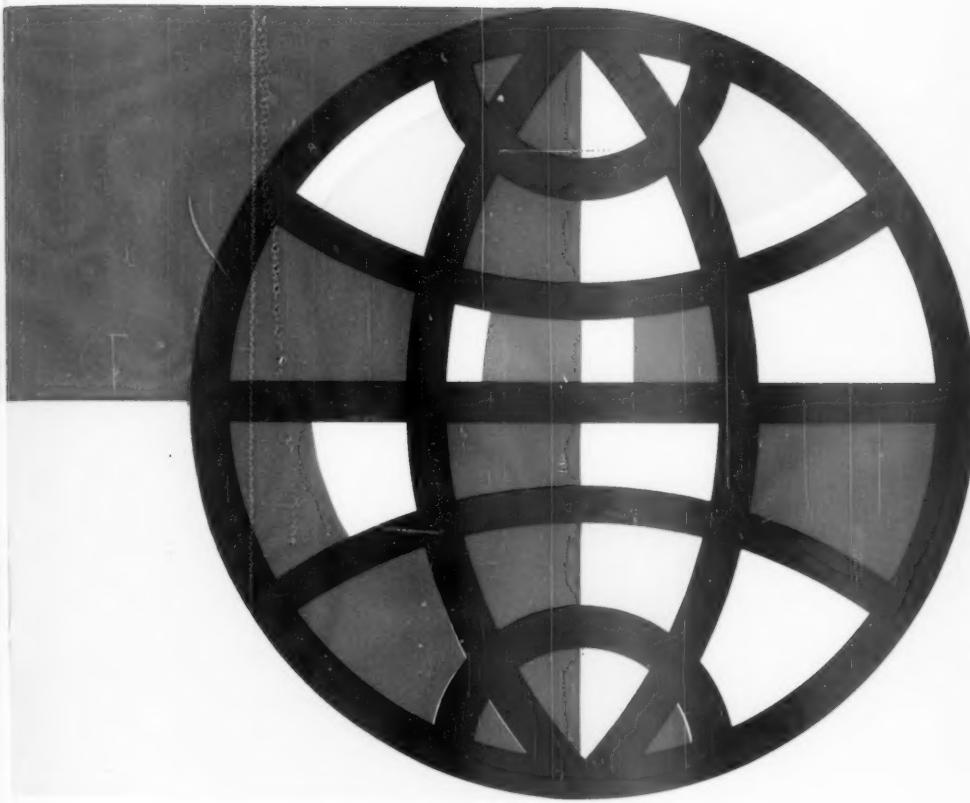
Health officials say the live-virus vaccine won't replace the Salk vaccine, which is injected. But it is expected to be less expensive, to give protection more quickly, and to appeal to people who have hesitated to undergo even the minor discomfort of an injection.

## Business Briefs

Three Westinghouse Electric Corp. employees involved in government antitrust suits against the electrical equipment industry (BW-Jul.16'60,p38) this week changed their pleas from not guilty to guilty. Trial is scheduled to start in federal court in Philadelphia on Sept 19.

New England will start getting electric power from a nuclear station this fall. Ten utility companies, banded together as Yankee Atomic Electric Co., will run the 136,000-kv. plant at Rowe, Mass. These utilities account for more than 80% of the electricity used in New England. The reactor is the largest yet developed by Westinghouse Electric Corp.

The House of Representatives voted Tuesday to cite three high officials of the Port of New York Authority for contempt of Congress. It was a victory for Rep. Emanuel Celler (D-N.Y.), who has been trying to investigate the agency through his House Judiciary Committee (BW-Jul.9'60,p84). The officials had said Gov. Meyner of New Jersey and Gov. Rockefeller of New York had ordered them to withhold certain internal records that Celler sought. The question: How far can Congress delve into affairs of multi-state agencies? "The matter, of course, will be carried to the Supreme Court," the Port Authority said.



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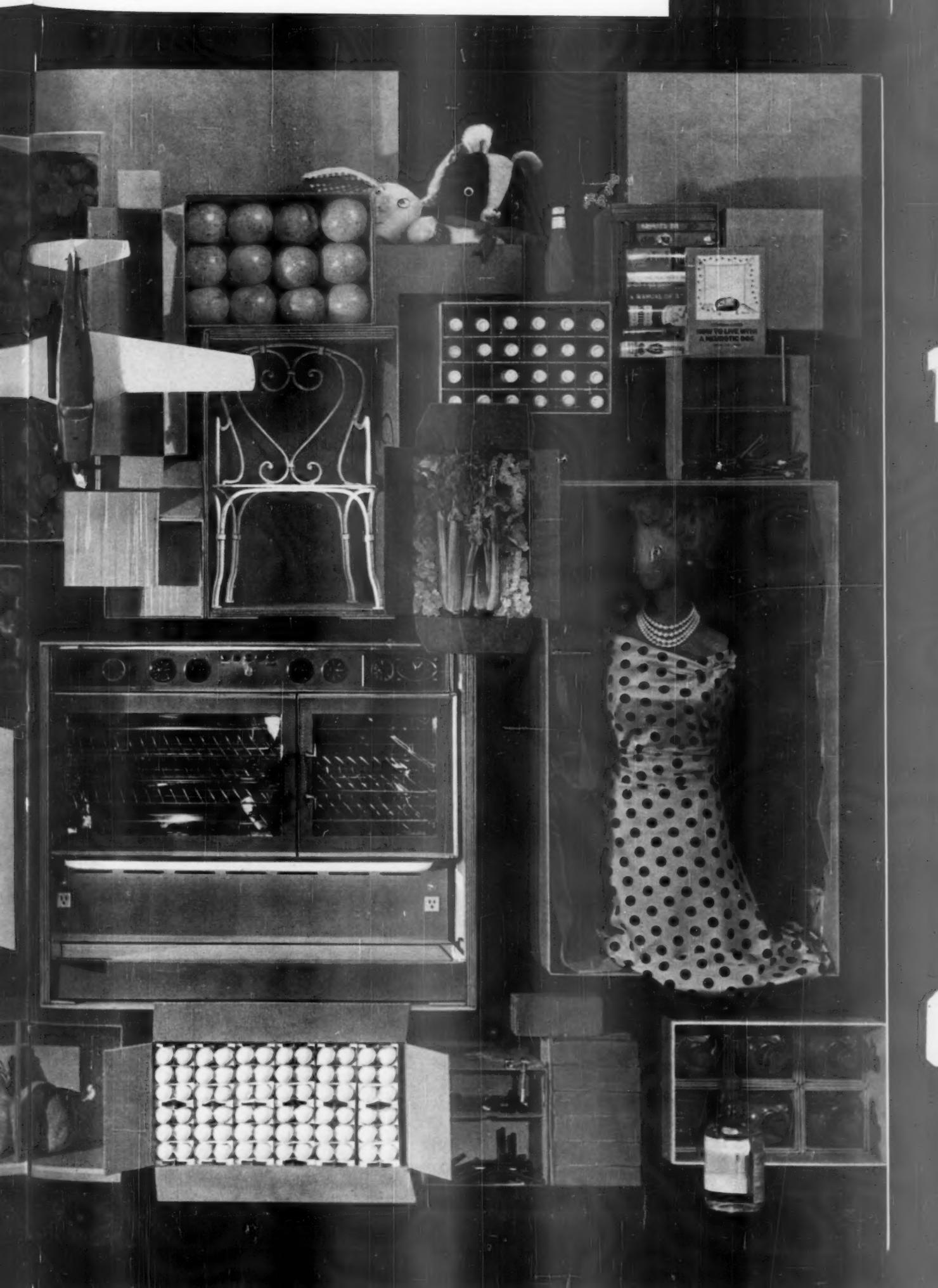
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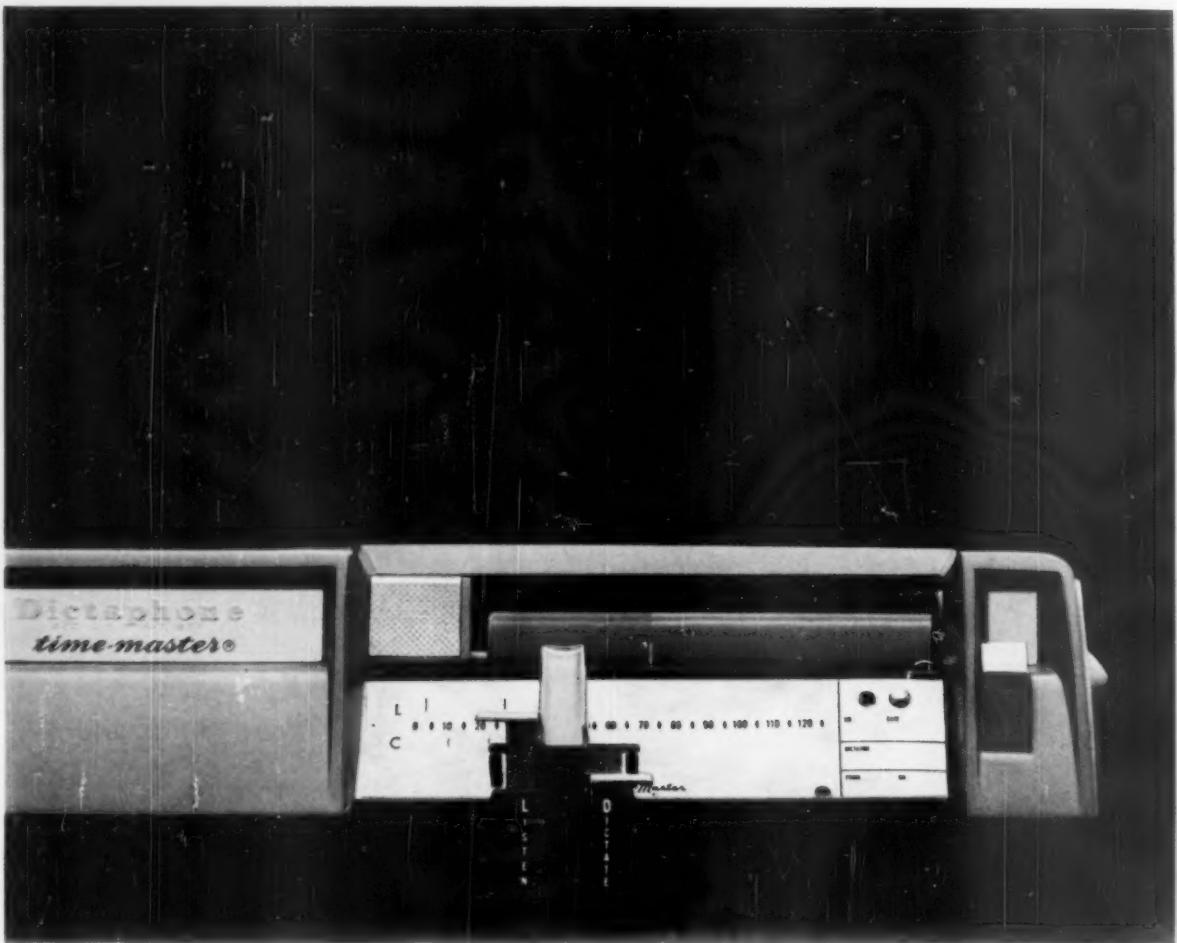
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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
AUGUST 27, 1960

The democratic trend in the Middle West appears to be slowing down. Unless there is a turnaround between now and Election Day, it seems likely that the midlands will report in on Nov. 8 with good news for Vice-Pres. Richard M. Nixon, the Republican Presidential nominee.



The Midwest outlook is pro-Republican as of now. This is the situation as pieced together at Des Moines where Democratic politicians and farm leaders gathered last weekend in a 12-state rally to compare notes and talk to Sen. John F. Kennedy and his Vice-Presidential running mate, Sen. Lyndon B. Johnson:

The Democratic Presidential ticket faces an uphill fight in Kansas, Nebraska, Iowa, the Dakotas, and even in predominantly Democratic Oklahoma. Illinois and Indiana are put down as probably Republican, insofar as the Presidential outcome is concerned. Kennedy and Johnson hold a slight edge as of now in Missouri, Wisconsin, and Minnesota. Michigan wavers, but could well wind up in the Republican column.

So the Midwest is a crucial political battleground for 1960. The 12 states that sent representatives to the Des Moines rally, primarily to talk up the farm problem, have a combined total of 136 electoral votes. This is slightly over half of the 269 required to win the Presidency.

The reason for Kennedy's high hopes has been that since 1953, the first Eisenhower year, Democratic fortunes have risen steadily. As of now, the Democrats have six more Midwestern governors than in 1953, five more U. S. Senate seats, 31 more seats in the House of Representatives.

## The major factors that influence the picture:

Nixon's public "divorceement" of Agriculture Secy. Ezra T. Benson appears, for the moment anyhow, to have dampened much farmer resentment against the Republican Party.

Kennedy's Roman Catholicism is a political liability in the rural Midwest as well as in the South. There are manifestations of direct, blunt, anti-Catholicism in Virginia, North Carolina, and Texas.

Nixon's reputation for toughness in dealing with Russia. Kennedy's suggestion that an apology or an expression of regret to Russia might have been in order after the U-2 spy plane incident hurts in the Midwest.

Democrats look to Kennedy for an all-out Midwestern campaign. They say he needs to meet the Catholic issue in the rural midlands in the same candid style he met it in West Virginia during the Presidential primary.

They want him to make—and soon—a strong, explicit farm statement. And many go beyond that, pressuring him now to identify the Midwesterner he would appoint as Agriculture Secretary were he to become President.

Neither Kennedy nor Nixon is eager to talk farm specifics. The fact is that neither has a "new" solution to the farm problem, and both give the distinct appearance of being most reluctant to get down to definite cases. Each senses that pacification of the Midwest on the farm issue will entail alienation of big city voters elsewhere.

Kennedy may have to yield, make some big promises. As of now, it seems the one best chance for him to offset the Midwest political advantages that are accruing to Nixon.

# WASHINGTON OUTLOOK

(Continued)

WASHINGTON  
BUREAU  
AUGUST 27, 1960

**Kennedy is eager to hit the road with his campaign.** The Democratic nominee and his advisers fear that the public thinks of him as a man unable to provide strong leadership in his own party. They count on hard, dynamic campaigning in the country to overcome this.

**Disillusion about the August session of Congress has set in** (page 27). The Kennedy camp had counted on political benefits from the nominee's efforts to legislate a liberal program—a rise in the minimum wage, help for the aged, a school assistance bill, and so on. The efforts have been made, but it is apparent that on practically all points the net result will be short of what Kennedy wants.

**Perhaps Kennedy's biggest campaign task:** drive home the point that, as President, he would be in much stronger position to demand programs that Congress now refuses him as a mere back bench senator. This may be hard to do, but its necessity is acknowledged. One of the top Kennedy aides put it this way this week: "We've got to get out of Washington and in a hurry. We've got to talk to the people."

**Note this implication in the Congressional session:** It is by no means certain that, even if Kennedy wins in November, there will be a sharp jump in the federal budget. The very Democrats who are spiking Kennedy's liberal proposals are the ones most likely to be around for the longest time in positions of power and influence. The Democratic platform suggests the era of the \$100-billion budget may be approaching, but political realism suggests otherwise—only a gradual rise for the near future.

— • —

**The way is clear for a series of Nixon-Kennedy TV debates on free air time contributed by the networks.**

**The first probably will be staged in late September,** although the staff advisers of the two candidates have not been able to agree yet on all details. What is settled is that the debates will be face-to-face and that they cannot be confined to any specific issue or issues. There probably will be three or four debates, each an hour in length, carried "live" and simultaneously on all nationwide networks.

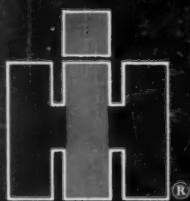
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**The AFL-CIO will spend \$600,000 on a voter registration drive,** to be financed mainly by 5¢ contributions from union members. The registration drive is billed as nonpartisan, but it will be of primary benefit to Democrats.

**Labor's most intensive efforts will be concentrated in the industrial cities—in other words, where Republican influence is least, where Democratic organization and union political discipline is greatest.**

**A documentary note on how labor can be politically potent:** The AFL-CIO's Committee on Political Education (COPE) pulled all the stops to help Sen. Estes Kefauver win renomination in the recent Tennessee primary. In Chattanooga and Memphis, COPE made 60,000 telephone calls, mailed 300,000 pieces of Kefauver campaign material, distributed 160,000 handbills, and worked hard to get most of the cities' 65,000 union members registered for voting. The effort paid off handsomely for Kefauver. Chattanooga and Memphis labor precincts, which had supported Kefauver's opponent, Judge Andrew Taylor, in his losing bid for governor two years ago, came through this year with big majorities for Sen. Kefauver.

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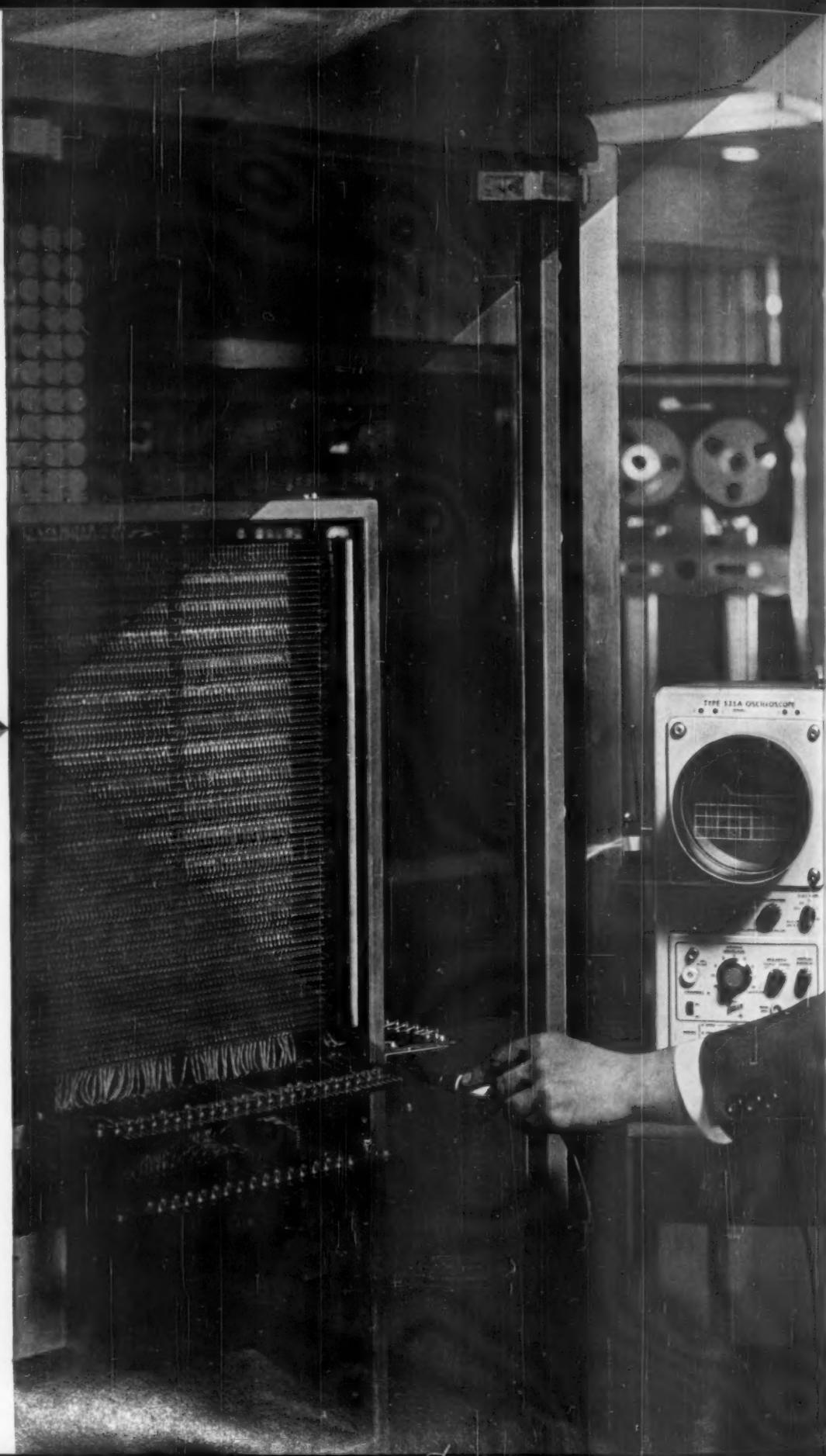
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He is a trouble shooter and business-man combined. He is trained to spot trouble before it starts... to understand the special nature of your business and to see to it, through a program of Protective Maintenance, that you get more data processing per dollar.

Operating from over 300 locations he and his colleagues have developed an enviable reputation for promptness and efficiency. The performance of your equipment and the extra help they can give you through maintenance management are responsibilities they accept proudly.

When you *Think* of data processing... *Think* of IBM and dedicated PM as your guarantee of more data processing per dollar... *this is a vital part of Balanced Data Processing.*



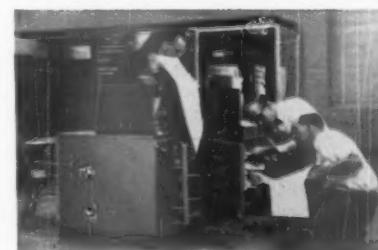
At a modern IBM education center, a class of Customer Engineers watches a technical demonstration on closed-circuit TV.



These Customer Engineers go back to school for advanced training in solid state circuitry used in new IBM equipment.



Replacement parts are immediately available to IBM service locations from this central supply depot in Mechanicsburg, Pa.



On the job the IBM Customer Engineer's training and high sense of responsibility pay off in prompt, expert service.

# IBM®

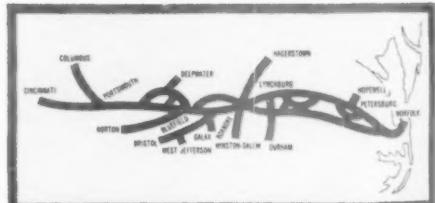
## Balanced Data Processing

# Looking just one way...

# forward!

Take a forward look with the new N&W! Here is a railroad that's going all-out to improve efficiency and service—to create new savings in time and money for shippers. Nation's newest fleet of diesels. Plenty of freight cars in tiptop condition. Fast, dependable freight schedules. A railroad constantly looking forward to find new ways to give better service to its customers. Come aboard the new N&W—the nation's going-est railroad.

# N&W



NORFOLK & WESTERN  
RAILWAY

GENERAL OFFICES • ROANOKE, VIRGINIA

# Automatic Cleaners Pass Dry Run

**Jubilant over results of field tests of automatic dry-cleaning units, manufacturers see laundrettes as a prime market.**

A chauffeur-driven Mercedes-Benz pulled up before an ordinary looking coin-operated laundry in Wilmette, Ill., an upper-income Chicago suburb. A uniformed maid with a clothes basket under her arm got out of the car and entered the laundry. In less than an hour she came out with nine pounds of finely dry-cleaned curtains, skirts, sweaters, cottons, and woolens. It had cost her \$1 for the whole job.

If she had sent these to the cleaners, it would most likely have taken three to five days for their return and cost \$6 to \$8. Instead, she put four quarters in a slot and then waited for the automatic dry-cleaner to do the job.

Similar scenes are taking place on the west side of Chicago, in Benton Harbor, Mich., in Effingham, Ill., and in neighborhoods serving a cross-section of society. What they foreshadow is, according to some important manufacturers, nothing less than a revolution in the dry-cleaning business, for which Americans annually spend about \$2-billion a year.

• **Field Tests**—Right now, two big manufacturers, Whirlpool Corp. and the Norge Div. of Borg-Warner, are field testing their new commercial automatic dry cleaners. In the next few months, when these machines hit the commercial do-it-yourself market, the whole garment and fabric cleaning business could change direction. Trade journals are full of stories questioning what this latest invasion by coin-operated machinery will do to the laundry and dry-cleaning business.

Major appliance makers are so keen on the potentials of the automatic machines that they are in the process of setting up special distribution systems. One Whirlpool executive thinks coin-operated dry cleaners will be in as wide use as coin-operated automatic washers within 18 months.

Whirlpool this week is sending about 50 of its units to nine states for further testing. Norge will also start a string of tests next month. Manufacturers need to get data on the effects of different weather conditions, broader customer reaction, and the economics of running the machines before they begin mass selling.

• **Ready Markets**—But there is little doubt about results among manufacturers of appliances who are betting heavily

that a whole new industry is opening up. For one thing, the units seem a natural supplement to the 37,500 laundrettes—many of them fully automatic, coin-operated establishments—now in operation. Besides that, dry cleaners themselves are a target, with convenience and economy the big selling points.

But John Crouse, Whirlpool's general manager of commercial laundry and dry cleaning, foresees even broader markets, including apartment houses (with central laundry-cleaning units), fraternity and sorority houses, motels, supermarkets, hospitals, schools, and other institutions.

• **Units on Sale Now**—Actually, a small Texas company, Standard, Inc., of Dallas and Little Rock, Ark., has a jump on the industry with twin operating units in one machine that sells for \$6,200. Standard's machine, which went on sale last year, is a self-contained unit designed to become part of an unattended coin-operated laundry. So far, the company has sold some 70 units to distributors over the nation. James E. Sanders, vice-president, said the company has a firm backlog. "I can get on the phone right now," he says, "and by dark have firm orders for 1,000 units."

C. B. Hugh, president, forecasts sales in 1961 of \$1-million with unit volume of 700 machines, and up to 1,000 in 1962. Standard is concentrating on coin-operated laundries—a market that it thinks will not be saturated for three or four years. Then will come other

outlets—ships, small valet shops, small dry-cleaning plants.

• **Waiting Lines**—George W. Graham, president of Great Lakes Equipment Corp. and Standard's Chicago distributor, has already sold 25 units to laundrettes and has installed four. He also has had one unit operating in his own Launder-Eze subsidiary for six months in a middle-income Chicago neighborhood. Without any advertising, he says, his machine is in use almost 24 hours a day, during the day; and early evening there is always a waiting line. The self-contained unit can cycle in 32 min., but is set to run on 40-min. cycles (Norge takes 47 min., Whirlpool 50).

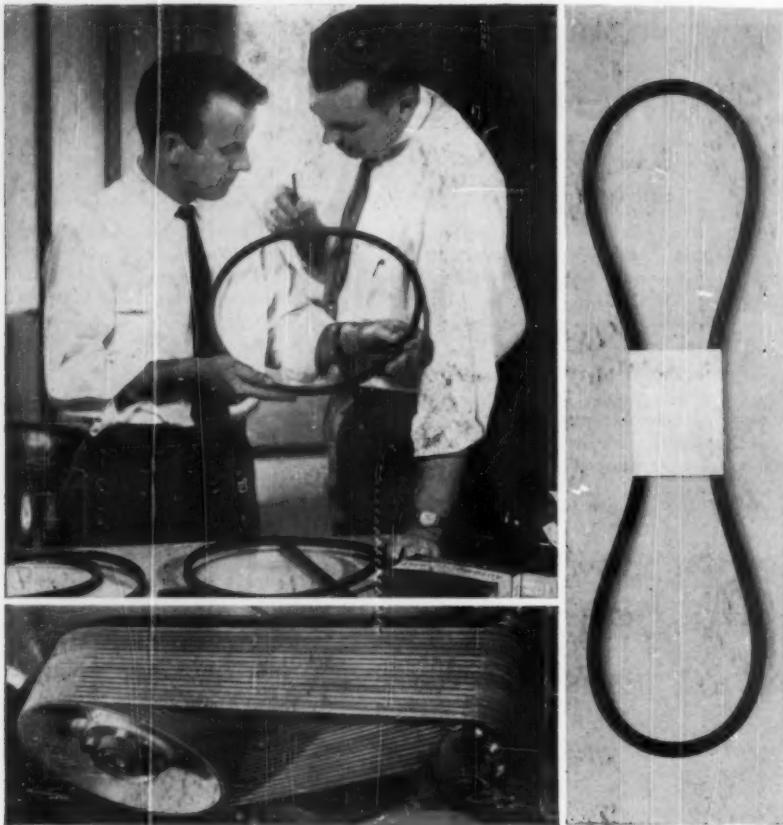
To Graham, the economics look promising. His twin-barreled machine is taking in between \$30-\$35 daily, or about \$16 per unit. There is another plus, according to Barlow's Laundry & Cleaning, site of Whirlpool's Benton Harbor, Mich., experiment. It reports that revenue from its laundry business has increased 25% since installation of the dry-cleaning machines, and without benefit of advertising.

It is this word-of-mouth acceptance of the machines in field tests that makes manufacturers so enthusiastic. One source reports that 93% of the machine users surveyed were completely satisfied with results. Chief complaint of the remaining 7%: long waiting lines.

Many dry cleaners, however, think the coin-operated units can't work, or are limited in appeal. Chicago chain dry cleaner Carl Stockholm sees many



WAITING LINES are a common sight at Barlow's Laundry & Cleaning in Benton Harbor, Mich., where customers are enthusiastic about new automatic cleaning machines.



## **Gen-Tac®** the universally-accepted cord adhesive HELPS WIN THE BATTLE AGAINST SPEED AND HEAT

Gen-Tac solves the problem of achieving better rubber-to-cord adhesion to meet today's faster speeds and higher horsepower! This unique vinyl pyridine latex provides dynamic adhesion between rubber and rayon, nylon, dacron, or other cord—making better belts than ever before.

If you manufacture fabric-reinforced rubber products, let us show you how you can improve them with Gen-Tac . . . write or call today for valuable information and technical data on this and other Chemical Division products.

- GEN-TAC OFFERS:
- Maximum rubber-to-cord adhesion
  - Excellent freeze/thaw stability
  - Improved dip processing
  - Less squeeze roll build-up

Creating  
Progress  
Through  
Chemistry



## **THE GENERAL TIRE & RUBBER COMPANY** Chemical Division • Akron, Ohio

Chemicals for the rubber, paint, paper, textile, plastics and other industries: GENTRO SBR rubber • GENTRO-JET black masterbatch • GEN-FLO styrene-butadiene latices • GEN-TAC vinyl pyridine latex • GENTHANE polyurethane elastomer • ACRI-FLO styrene-acrylic latices • VYGEN PVC resins • KURE-BLEND TMTD masterbatch • KO-BLEND insoluble sulfur masterbatch

objections. "First," he says, "the units are not large enough for proper cleaning, and the fluids are not properly filtered. Second, synthetic cleaners are volatile and poisonous to inhale. And, finally, the job of dry cleaning is pretty technical; prespotting is often necessary; finishing is always needed."

• **Does the Job**—Whirlpool readily admits that its machine doesn't clean all kinds of spots, and there will always be a place for a high-quality cleaner. But the manufacturers point out that the National Institute of Drycleaning reports 85% of all clothing processed needs no prespotting or finishing. One Chicago dry cleaner also reports that if clothing is hung immediately after coming out of the machine, finishing by pressers is cut substantially, especially with casual and synthetic fiber clothes.

As for health and safety, Norge, Whirlpool, and Standard say their systems are sealed and fumes are exhausted outside.

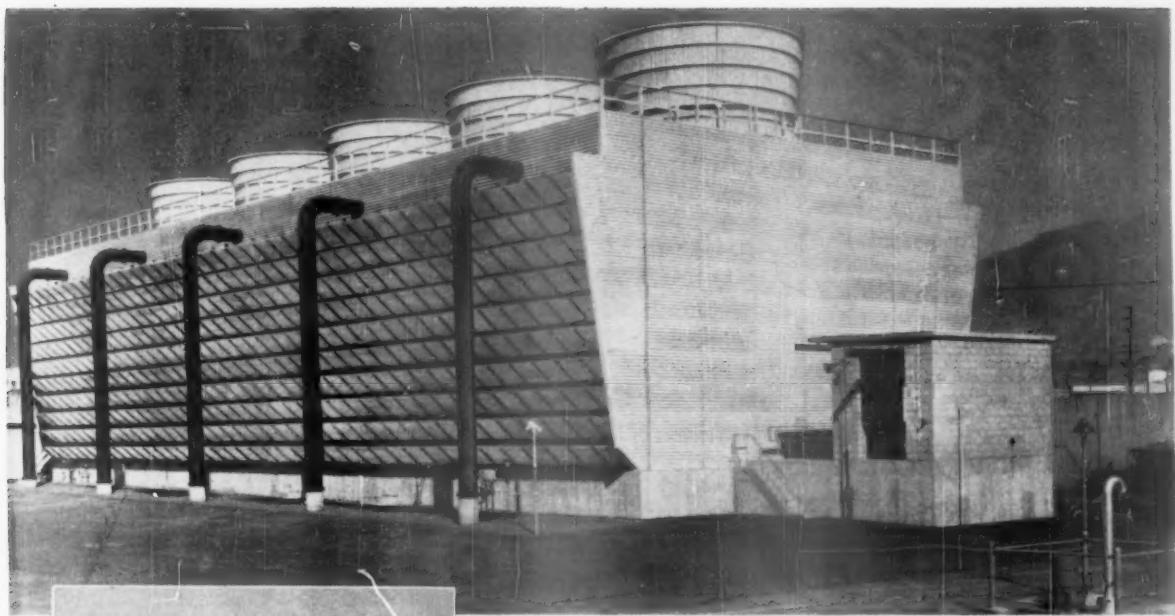
• **Market Among Cleaners**—Not all dry cleaners regard the influx of automatic machines as harmful to their industry. Ben Rosenfield, director of Chicago's Dry Cleaners Association, sees only "an expanded market for cleaning materials."

What's more, Whirlpool, in its distribution plans, is anticipating the opposition of dry cleaners and their associations by making its prime target the commercial dry cleaners themselves. General Manager Crouse comments: "About one-third of the larger dry cleaners also operate coin-operated laundries."

In addition, industry statistics indicate that the commercial feasibility of the small launderette—under 20 units—is just about ended. The new kind of fabric maintenance stores, as they are called, have to offer broader services.

But even for small dry-cleaning and launderette establishments, there is hope of avoiding extinction. Most manufacturers, in their eagerness to expand the business, are offering liberal financing. Great Lakes Equipment Corp. will sell its equipment with no money down. The operator pays only for installation costs; General Motors Acceptance Corp. handles the financing. Whirlpool is asking 10% down on a complete laundry and cleaning installation. Estimated cost for the package is \$75,000, including a prefabricated building.

These terms are likely to get more tempting as new manufacturers come into the market and competition stiffens. Both General Electric and Westinghouse, important suppliers of equipment to coin-operated laundries, are reported to be about ready to field test and spring their own do-it-yourself dry-cleaning machines on the market. END



## WAGNER® MOTORS HELP MARLEY TOWER

### PRODUCE MORE POWER FOR BURBANK

This is the new Marley Class 600 Double-Flow 5-cell cooling tower at the power station of the City of Burbank, California ... the newest thing in cooling tower design. Its job: to cool water to get more kilowatts from steam.

Wherever water cooling is vital to plant capacity, product quality or customer comfort, chances are you'll find a Marley Cooling Tower. You'll probably find Wagner® Motors there, too. They're on this tower in Burbank, driving the huge fans used in the tower's cells.

The job is a rugged one. It calls for motors that can operate without attention month after month ... motors that can stand constant exposure to all kinds of weather and to high humidity, the number one cause of motor failure in cooling tower applications.

Wagner Type EP Motors meet these requirements. All vital parts of these workhorse motors are totally enclosed, and are sealed against moisture by a series of grease retaining grooves between shaft and housing. Running shaft seals, at both ends of the frame, prevent the entrance of water into the bearing housings. The frames, endplates and conduit box are made of heavy cast iron for extra protection against high humidity and corrosion.

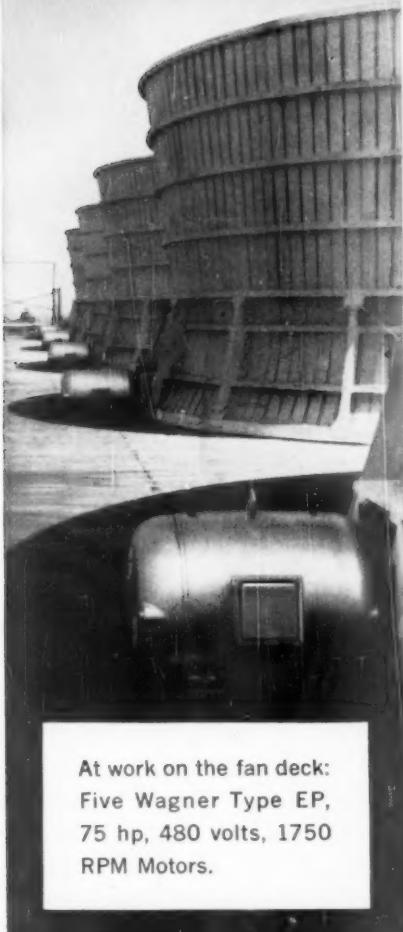
What about your requirements for motor drives that must operate under adverse conditions? Versatile Wagner Totally-Enclosed Motors can meet them, whatever the application. They are available in standard ratings through 500 hp. Call your nearby Wagner Sales Engineer for full details, or write for Bulletins MU-224 and MU-230.

BRANCHES AND DISTRIBUTORS IN ALL PRINCIPAL CITIES

**Wagner Electric Corporation**

6460 PLYMOUTH AVENUE, ST. LOUIS 33, MISSOURI

At work on the fan deck:  
Five Wagner Type EP,  
75 hp, 480 volts, 1750  
RPM Motors.





## Working Chemical Magic . . . . .

Celanese acrylates—versatile family of chemicals—are the magic ingredients in countless new and better products.

Acrylic coatings, for example, eliminate the need for priming metal surfaces before painting . . . acrylic-based floor polishes give clear, scuff-proof finishes. And Celanese acrylates are improving fibers, plastics, paper, adhesives, and many other products. Uses for acrylates are among the fastest growing in the chemical field. Industry consumption has more than doubled in the past four years . . . with new applications boosting the sales curve higher. Capacity of the Celanese, Texas plant will soon be doubled to provide an annual capacity of 30-million pounds of methyl, ethyl, 2-ethylhexyl, and butyl acrylates. For technical data, please write to: Celanese Chemical Company, 180 Madison Avenue, New York 16, N. Y.

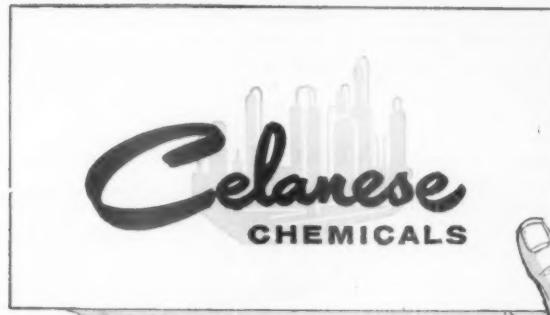
Celanese®



**From this basic formula springs the magic-working Celanese family of acrylic acid—methyl, ethyl, 2-ethylhexyl, and butyl acrylates.**



## .... Celanese Acrylates



Celanese Chemical Company is a Division of Celanese Corporation of America.  
Canadian Affiliate: Canadian Chemical Company Limited, Montreal, Toronto, Vancouver.  
Export Sales: Amcel Co., and Pan Amcel Co., Inc., 180 Madison Avenue, New York 16, N. Y.



# who teaches your advertising agency to read a balance sheet?



The scene: a conference room in one of our offices. The lecturer: a professional security analyst speaking on the interpretation of financial statements. The curious part about his audience is that it is not made up of financial people—but rather of highly creative Marsteller-Rickard advertising men.\*

Why do we invite experts to supplement our general knowledge of finance (and other non-advertising subjects) when there is plenty of creative work to be done?

Because we know that whatever skills we have as advertising men become more useful to clients as we increase our general knowledge of business as a whole. Our investment of time and money in seminars and lecture sessions covering business subjects makes us better *businessmen*. And that, in turn, makes us more valuable to our clients as *advertising men*.

*\*Our interest in financial subjects is more than academic. We produce financial communications programs for a number of our clients—and at last count had produced seven client annual reports for fiscal 1959.*

**Marsteller,  
Rickard,  
Gebhardt and  
Reed, Inc.**

ADVERTISING • PUBLIC RELATIONS • MARKETING RESEARCH  
NEW YORK • PITTSBURGH • CHICAGO • TORONTO

## Interstate Ads

Do they put a retailer into interstate commerce, for federal regulation? FTC says so in Klein case.

The Federal Trade Commission is feeling its way down an avenue that could open up into a whole new expanse of federal regulation.

Right now, the commission is moving slowly, pending the outcome of a complaint it brought against S. Klein Department Stores, Inc. If the commission wins, thousands of retailers will suddenly find they are fair game for FTC.

The crucial point: When a store's advertising crosses state lines, does this mean it is operating in interstate commerce as set forth by the FTC act? FTC says it does. Klein says no.

• **FTC Charges**—On the face of it, the complaint against Klein is similar to hundreds filed each year by FTC. It alleges that the company, which operates stores in New York and New Jersey, made false pricing claims in its advertising and used "other deception" to promote merchandise.

Klein denies the charge. It most emphatically asserts that the commission has no jurisdiction, and it has asked for dismissal of the complaint. FTC didn't claim, says Klein, that it ships merchandise across state lines, or buys goods outside the state where its stores operate, or gets customers to cross state lines to visit stores.

The only connection with interstate commerce—the deciding point on whether FTC has jurisdiction—is that its radio, newspaper, and television ads cross state lines. Klein asserts that FTC's move is a major departure from the past and that there are plenty of state laws controlling advertising.

• **Applying Standards**—FTC says advertising is an integral part of commercial activity. When ads are disseminated in more than one state, they become part of interstate commerce subject to Congressional acts, says FTC.

Klein claims that if FTC's contention is upheld, "no barber may advertise his talents, no roominghouse landlady may extol her mattresses and her cooking, without measuring up to the demanding standards" of the FTC act. The commission would have authority "over any small local businessman who placed an ad in a newspaper which had some interstate circulation—as almost every newspaper does."

FTC staffers admit a victory "would certainly open up a tremendous new field." One adds: "Lord knows we have enough to do now. Maybe we are biting off more than we can chew." END

"Georgia

**has been good  
for Ford"**

FORD DIVISION

ATLANTA ASSEMBLY PLANT

Dear Mr. Minter:

Ford Motor Company recently celebrated its 50th anniversary as an industrial citizen of Georgia! During this period nearly two million Ford cars and trucks have been assembled here.

The success Ford has achieved in its Georgia operations would not have been fully attainable without the high degree of cooperation which has been received from local and state agencies throughout these many years.

While up until a very few years ago Georgia had primarily an agrarian economy, it has been Ford's experience that labor has very readily converted to the skills and trades associated with modern day industry. The labor supply is good, and of a high calibre.

It can be unquestionably stated that "Georgia has been good to Ford!"

Yours very truly,

H. J. Pearson  
Plant Manager



H. J. PEARSON  
Plant Manager  
Atlanta Assembly Plant

FORD



GEORGIA  
DEPT. OF COMMERCE

Please send requests to JACK MINTER, DIRECTOR • 100 STATE CAPITOL • ATLANTA, GEORGIA

Many of America's biggest names have added their production miracles to Georgia's fast-growing industrial horizon. There are many reasons for making these advantageous moves to Georgia. We'd like to prove how *your* business will operate more PROFITABLY in Georgia. We invite you to add your name to our impressive list of success stories.

**Ford proves it's good business  
to produce in Georgia**

- Rush me a list of Business Opportunities in Georgia. I am particularly interested in a project report on \_\_\_\_\_ NAME \_\_\_\_\_
- NAME \_\_\_\_\_
- ADDRESS \_\_\_\_\_
- CITY \_\_\_\_\_ STATE \_\_\_\_\_

# In Marketing

## Gulf Rounds Out Its Migration To Houston With Marketing Shift

Gulf Oil Corp. has announced formally what the industry has anticipated for a year. It is moving its domestic marketing department from Pittsburgh to Houston, effective Sept. 1.

The move of J. L. Lenker, vice-president-marketing, and his staff completes the company's migration to Houston. Within the last 15 months, Gulf has moved its domestic production, manufacturing, and supply departments to Texas. The next logical move in Gulf's reorganization is creation of integrated domestic company, a move similar to that taken by Standard Oil Co. (N. J.) in setting up all of its domestic activities under Humble Oil & Refining Co. (BW—Aug. 60, p44). Other oil companies have put important domestic offices in Houston in the last two years—Texaco, Mobil, Pure, and Tide-water.

Under Gulf's new marketing plan, the company will establish four new regions headed by new vice-presidents—Philadelphia for the East, Atlanta for the South, Toledo for the Midwest, and Houston for the Southwest.

Gulf says the moves are being made for greater efficiency, better customer service, and closer coordination of domestic operations.

Coupled with these points is a basic change in the oil industry. The marketing departments are moving into quarterback positions on the varsity team from the bench they have warmed for years. Today, with oversupply, overproduction, and a drop in anticipated growth patterns, companies have learned that product sales count more than ever in making money. So the marketing man is now in a position to greatly influence decisions on how much refineries should run and, in some cases, even what the exploration and crude production program of the company should be.

## FTC Files Charges Against Sears And Curtiss-Wright, Settles Hat Case

A busy Federal Trade Commission this week brought under attack Sears, Roebuck & Co. and Curtiss-Wright Corp., then settled a dispute with Hat Corp. of America.

• FTC charged that Sears knowingly induced one of its suppliers, Universal-Rundle Corp., into granting discriminatory price discounts. The commission said Sears, which owns 63% of Universal-Rundle's outstanding stock, bought bathroom and plumbing fixtures from the company at 5% to 45% below prices paid by other customers. Universal-Rundle was charged in a separate complaint with granting illegal discounts to Sears, as well as to other customers.

• Curtiss-Wright, FTC charged, falsely advertised claims for its soundproofing wall covering sold by its

Curon Div. FTC says Curon won't soundproof rooms or control noise, nor will it absorb up to 95% of the sounds of a room or give nearly twice as much total sound absorption as standard ceiling acoustical tile. The complaint came at a time when Curtiss-Wright was announcing the sale of Curon Div. to Reeves Bros. Co., a textile company, as part of its reorganization under new management.

• In its dispute with Hat Corp., FTC signed a consent order in which the company agreed to charge the same prices to competing customers for hats of the same grade and quality. FTC claimed Hat Corp.'s volume discount system in effect meant smaller customers paid more for hats than competitors who bought in greater volume. Hat Corp. sells Dobbs, Knox, Champ, and Cavanagh brands. A consent order means the company admits no violation of law but agrees to refrain from specified practices.

## Philadelphia Daily Offers Free Space For Agencies to Advertise Advertising

With Madison Avenue unleashing a barrage of institutional drives for promoting advertising and its contribution to the economy, the Philadelphia Daily News is starting a plan of its own to help the industry.

Starting in September, it is offering advertising agencies free space in which to advertise advertising. Gordon F. Chelf, publisher of the tabloid, decided: "We in the advertising business have neglected to inform the public and those in influential positions of the important service performed by advertising." So he has offered some 50 top agencies a full page in the News in which to state their case. The series of ads would run once a week for a year. The News would then make mats of the ads available free to other newspapers that want to follow suit.

So far the few agencies that have actually delivered copy to the paper have shunned arty or offbeat ads for straight head-and-text, reason-why approaches.

## Food Fair Adds Auto Supply At Some of Its Supermarkets

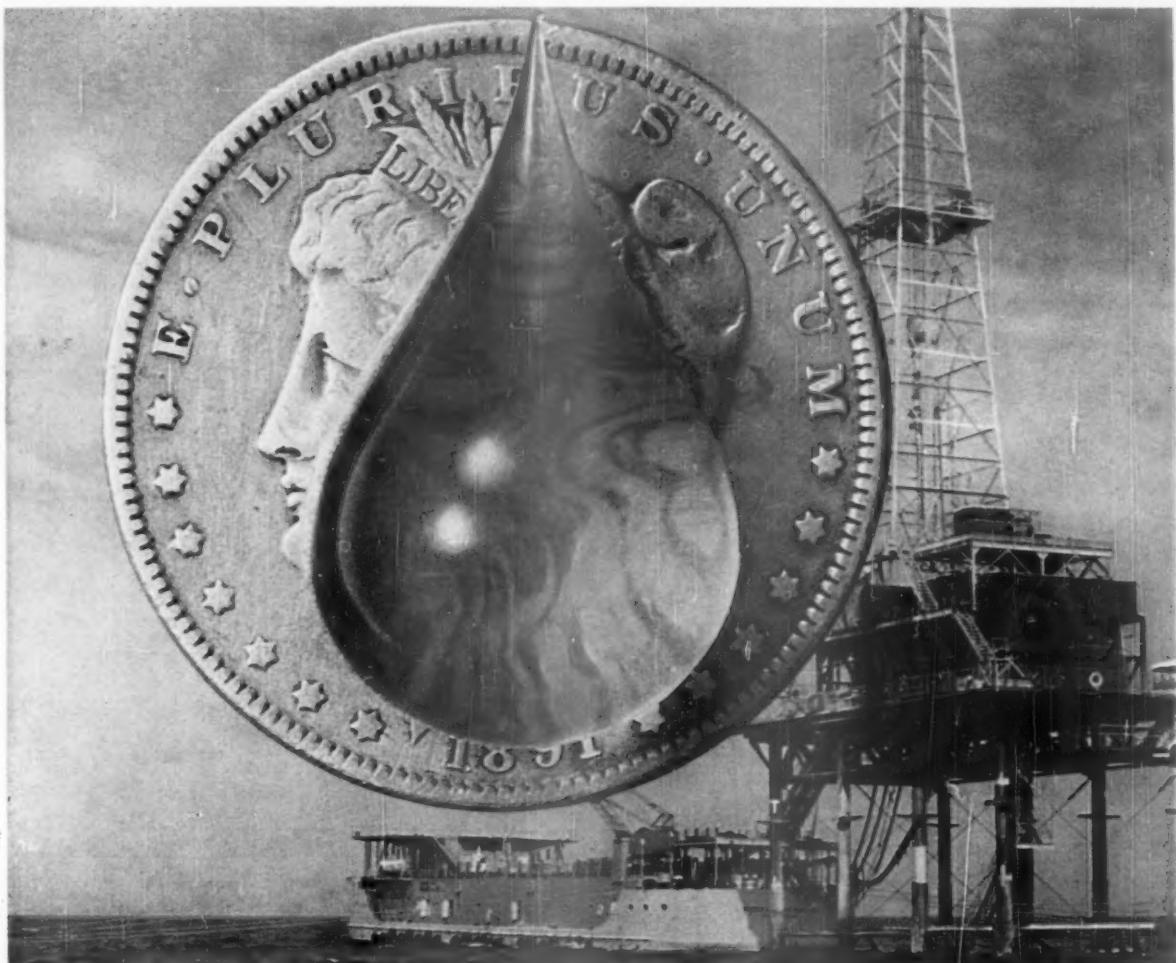
Food Fair Stores, Inc., is going to install auto supply centers at some of its supermarket sites. The company announced last week it would run the venture jointly with Vanderbilt Tire & Rubber Corp., which runs similar centers at major department stores throughout the country. The first auto supply shop is scheduled for the Ellisburg shopping center in Erlton, N. J.

Food Fair claims it is the first major food chain to get into the auto supply business. It considers auto supply a natural extension of supermarket service, which caters largely to the customer who comes by automobile.

The move is in addition to a program, announced last year, for installing gas stations at Food Fair supermarkets. That program is well under way, with 17 stations in operation and eight more on the way. Results are satisfactory, and Food Fair intends to speed up the programs.

"...there is a real place in New York for conservatively managed banks and trust companies of moderate size where customers may have easy access to and personal acquaintance with the senior officers..."

QUOTED FROM "THE BANK'S DECLARATION OF PRINCIPLES"



# PETROLEUM

# THE BANK OF NEW YORK

... companies are engaged in constant exploration and research to provide their patrons with products of high quality. This Bank, too, maintains high quality in its service and is continuously searching for new ways to increase its usefulness to its customers.

*New York's First Bank • Founded 1784*

Main Office: 48 WALL ST. \* Uptown Offices: 530 FIFTH AVE. \* MADISON AVE. AT 63rd \* MADISON AVE. AT 73rd

Member Federal Deposit Insurance Corporation © 1960 BNY

**RINNA BAKERY**

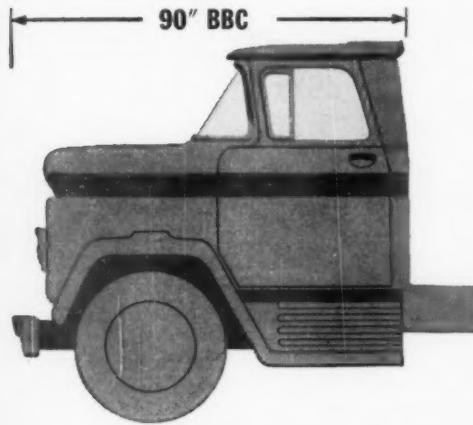
CHEVROLET

SHORT AND NIMBLE TO NIP HIGH COSTS!

# FOR EASY WHEELING AND WHOPPING PAYLOADS—STRAPPING NEW CHEVROLET LCF'S\*!

\*LOW-CAB-FORWARD MODELS

They're real fancy Dans, these big new Chevies—experts at swivel-hipping through the tight spots, getting big loads out on time. They make traffic jam jockeying look easy, but don't let this light-footed nonchalance fool you. Chevy LCF's are *all truck*, too, powered and muscled to keep costs down on the roughest, toughest runs.



■ Short build with big advantages. Chevrolet LCF's measure as short as 90 inches from bumper to back of cab. That means you can use a bigger body, or pull a longer trailer, while staying within legal length limits. With extra size in the payload area, you can count on bigger cargoes, bigger profits. And here's the main reason you can't beat a Chevy LCF for fleet, easy maneuvering: short wheelbase reduces the turning circle diameter by a full 3 feet!

■ When a Chevrolet LCF goes to work, hurry-up hauls run slick as a whistle. You reap the benefits of extra cargo capacity, easier handling . . . better weight distribution that jumps up payloads, and *easy* engine accessibility that cuts the cost of servicing.

And, of course, you profit by all the other premium advantages offered by Chevrolet trucks and no others. New Torsion-Spring Ride, for example, with amazing jolt-free wheel action that speeds up trip times, cuts truck wear and maintenance expense. Or the new sturdy-built cabs that stand up to almost anything and make hauling a soft touch for drivers. There's real goods under that short LCF hood, too—famous Chevrolet 6-cylinder or V8 power that eats up the miles but goes light on gas.

It's all yours in any Chevy LCF you select, and they come in many sizes so that you can't miss getting one that fits your operation. Cab-to-axle dimensions range from 60 to 136 inches to take bodies from 8 to 20 feet in length. G.V.W.'s start at 14,000 lbs. and go all the way up to 25,000 lbs. Your dealer can tune you in on the whole Chevy LCF story—or fit you out with just about any other type of truck you need. You'll want to be seeing him soon. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

**WORTH MORE BECAUSE THEY WORK MORE**



**FINANCE**



ED BALL, after 19 years, has finally won control of Florida East Coast Ry., each week visits its St. Augustine offices.

# Builder of Florida's Huge du Pont Estate

Ever since Alfred Ireneec du Pont, irked by his Wilmington cousins, moved to Florida in the mid-1920s to test his business skills and social theories, the du Pont banking, timber, and real estate holdings in that state have been run directly or indirectly by the spry, foxy septuagenarian pictured at left.

Edward Ball, as du Pont himself remarked, "is a little pigheaded . . . so it is necessary to bat him over the head with a club once in a while, but he has a well-balanced cabeza and is a fine, loyal, hard worker, as tenacious as a bulldog on a tramp's pants—all qualities appealing most strongly to me."

Ball, du Pont's brother-in-law and chief trustee of his estate since his death in 1935, has never lost these qualities—although it is doubtful that anyone since du Pont has batted him over the head. His bulldog persistence, whether over a fraction of a point of interest cost or a drawn-out legal dispute, is legendary, and his faith has never wavered in du Pont's policy of pumping money and vitality into Florida and seeing the state prosper.

• Railroad Victory—Nothing reflects this single-minded purpose better than Ball's latest victory—his takeover of the Florida East Coast Ry., the railroad that Henry Flagler built.

Ball has had his eyes on Florida East Coast since 1941, when it went into bankruptcy. He felt it would add profits and prestige to the du Pont



IN THE FIELD, with a railroad official, Ball visits 5,000-acre potential industrial site south of Jacksonville.



IN HIS HOTEL, the Roosevelt in Jacksonville, Ball winds up each working day with friends and business associates and bourbon. Many ideas come out of such get-togethers.



## *Mechanize words to lower paperwork costs*

Teletype tape reading and punching equipment offers a direct method of reducing paperwork costs by saving time—mechanizing such functions as:

- **Sending information** from one office to another, between plants, across country, even overseas. The Teletype Model 28 tape reader (above left) will transmit to one destination, or to many destinations simultaneously.
- **Recording and storing** data in tape. The Teletype Model 28 punch (above right) will produce tape as a by-product of send-receive operations or it can be used to combine data from several sources in one tape.
- **Repeating fixed data** such as addresses, invoice information and other reusable data, is a tape specialty.

The Teletype tape reader and tape punch may be used individually or in combination with other Teletype equipment. These units are compatible with existing communications facilities. They are also compatible with many business machines, to further extend their usefulness and cost-saving potential.

Teletype Corporation manufactures this equipment for the Bell System and others who require the finest in data communications.



Tape Reader



Typing Tape Punch



Send-Receive Page Printer



Automatic Send-Receive Set

**FREE** Model 28 line folder. Write Dept. 1511,  
5555 Touhy Avenue, Skokie, Illinois.

**TELETYPE®**  
**CORPORATION**  
SUBSIDIARY OF *Western Electric Company INC.*

name. But to win it took 19 long years, which entailed bitter battles with Atlantic Coast Line's past president, Champion M. Davis (not so affectionately called "Chump" by Ball) and Ball's arch-rival, former Sen. Claude Pepper; legal skirmishes with the Interstate Commerce Commission and the courts; and two financial reorganizations of the railroad itself.

Two years ago, ICC finally approved a plan that would give control of the road to St. Joe Paper Co., which is run by Ball as part of the du Pont estate and which is majority bondholder of Florida East Coast. Consummation of the road's reorganization will take place next January. But a few weeks ago Ball was named a reorganization manager of the road, and he is now hard at work mapping plans for its future.

- **Building up Business**—The Florida East Coast is not in the best of shape though it needs profitable industrial business if it is really to prosper. Ball's plans are to entice industry to acreage adjacent to its track, and to cut freight rates to meet trucker competition. His ability to spot undervalued properties and his willingness to back up his bet with cash give him a better than even chance to succeed.

This is what sets Ed Ball apart from other trustees. He is not the anonymous money manager whose power comes solely from the money in his trust and whose influence and reputation is known only to other money men. Rather, Ball has pushed his way so far into Florida business and politics that he now ranks as probably the most influential—and certainly the most controversial—figure in the state.

## I. Tenfold Growth

Unlike many trustees, he has not been content with merely conserving the funds of the du Pont estate. When du Pont died, the estate was valued at \$27-million after taxes. Ball has used the du Pont resources and his own trader's instinct to build it into a \$300-million pot. Ball receives no direct compensation from the estate, which has thrown off \$8-million in income annually, but he received a big legacy from du Pont, which, along with his personal investments, provides him with adequate income.

- **In the Stable**—Besides the Florida East Coast Ry., whose revenues have dwindled to \$32-million a year, Ball now has under his wing:

- The St. Joe Paper Co., a \$200-million containerboard manufacturer which is 75% owned by the du Pont estate.

- St. Joe also owns the St. Joseph Telephone & Telegraph Co., a small independent company serving the Port St. Joe area, and the Apalachicola Northern

RR, a small but profitable line carting chiefly St. Joe Paper products.

- The Florida National Bank group, consisting of 29 banks with combined resources of more than \$600-million. The estate holds a majority—or controlling—stock interest in each bank. The concept of a banking empire to buttress Florida's economy originated with du Pont, but Ball has made it a powerful financial reality.

- The du Pont Building, largest commercial building in Miami and worth at least \$6-million. The estate also owns two solid blocks of real estate in Miami's du Pont Plaza, which are worth between \$10-million and \$15-million, as well as other properties around the state.

- Nearly 1-million shares of E. I. du Pont de Nemours & Co., held by the estate and by St. Joe Paper, plus other marketable securities. At current market prices, these holdings are worth some \$200-million.

- **Springboard**—Ball owes his initial success to being du Pont's brother-in-law. His sister, Mrs. Jessie Ball du Pont, is another estate trustee and runs its charitable doings. A good share of the estate's income is donated to charity; after Jessie du Pont's death, the income will pass to the Nemours Foundation, which runs the Alfred I. du Pont Institute for crippled children.

But Ball made his own way, using the du Pont estate as a springboard for himself.

## II. Controversial Figure

In extending the du Pont empire, Ball has not been without his enemies. Floridians who have had dealings with him have mixed feelings, speak of him in terms of envy, awe, and downright dislike. He exercises the type of old-fashioned one-man control on expenditures that irritates his subordinates. And his sometimes sharp and sarcastic tongue angers outsiders.

His critics also question his civic-mindedness. A former state senator says: "He's never done anything for Florida that he didn't think of Ed Ball first. He had a chance to be a great man in this state and blew it."

- **Iron Hand**—Politically, he is regarded by many Floridians as a reactionary. He has supported ultra-conservative, segregation-minded candidates and has opposed any reapportionment of the state legislature that would wrest control from the small, so-called Pork Chop gang of North Florida counties. He has fought any legislation that would levy more taxes on the timberland and pulp interests of Ball-du Pont.

But the most popular complaint is that Ball, chiefly through the du Pont banking interests, has a stranglehold on the Florida economy. The Justice Dept.,



BALL, right, can't lunch at restaurant near his office without being greeted by parade of local businessmen. Below, vast du Pont empire in Florida.

### Du Pont's Florida



*this motor  
was built faster...*



*because of Osborn  
power brushing*



Surplus insulating varnish used to cause this electric motor maker a lot of trouble. Before stators could be assembled, excess varnish from both the inside and outside surfaces had to be removed. A slow, tedious job. Even worse, results were irregular. Today, this once costly, time-consuming job is done with Osborn power brushing. Results are consistent, dependable, exact. And cost is only a fraction of what it used to be. To learn how Osborn can help you speed production, improve quality and cut costs, write or call The Osborn Manufacturing Co., Dept. A-210, Cleveland 14, Ohio. Phone ENDicott 1-1900.



Metal Finishing Machines...and Methods • Industrial Brushes • Foundry Production Machinery

in fact, spent three unsuccessful years in the 1940s trying to hang an antitrust rap on the du Pont estate.

At the same time, Ball has many defenders, who insist that he has done more for the state than any other single man, including Alfred Irene du Pont, Henry Flagler, and Wilson and Addison Mizner, who developed the Palm Beach area, and Henry Plant, who did the same for the West Coast. A friend of Ball admits that he may be motivated by his own gain in what he has done for Florida, but he adds quickly: "Yet he has helped Florida in so doing."

• **Misunderstood**—McGregor Smith, president of Florida Power & Light Co., thinks Ball is a great booster of the state. "Mr. Ball," says Smith, "is a very misunderstood man. Instead of being tactful, he tells you what he thinks. He's a man who can say 'no' in a helluva hurry."

Another close friend stresses: "Ball has a rare sense of business integrity. His word is his bond. He is violently opposed to graft and corruption. He never once went for anything, in the 32 years I've known him, that was off-color, and that goes for off-color jokes as well. He once ordered a very high official out of his room for telling an off-color story, and that man has never returned to Ball's home."

Former Gov. Fuller Warren credits Ball with doing more than any other one man for the reforestation of the state, the growth of its road system, the luring of industry to the state.

• **Feud With Pepper**—Whatever side they may be on, Floridians agree that Ball has a fiery temper and is a man of strong likes and dislikes. He can also be unforgiving.

No. 1 on Ball's grudge list is Claude Pepper, whose New Dealish views are anathema to Ball, even though the latter supported Pepper in his earlier days.

A friend tells the story of a meeting between Ball and Pepper's campaign manager after Pepper was beaten in 1950. The man had never met Ball, but after a few drinks, finding Ball amiable, he asked: "Now that the election is over, wouldn't you like to bury the hatchet?"

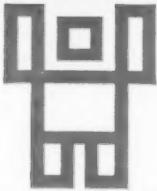
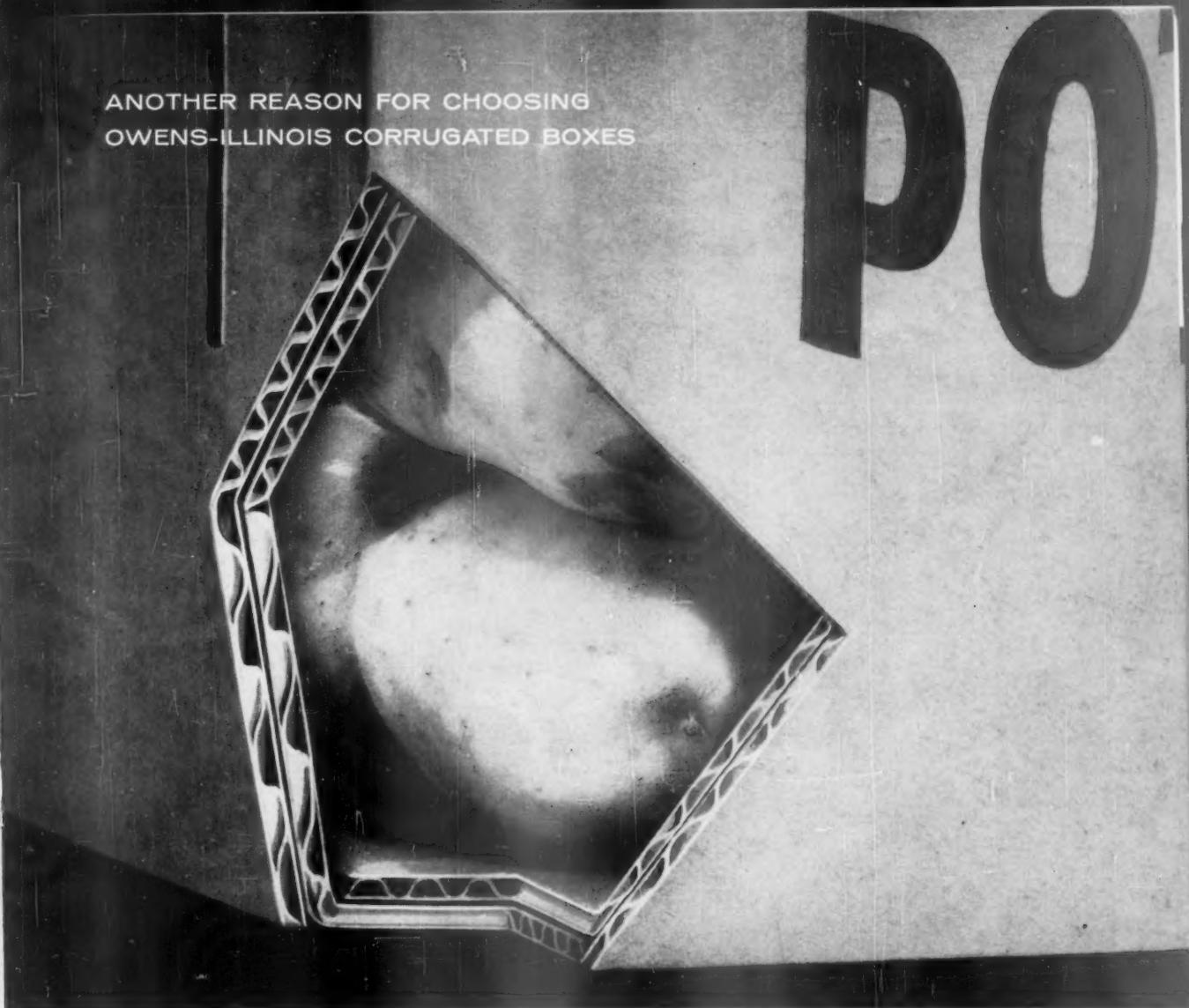
Ball's pointed reply: "I'll bury it right in Claude's thick skull."

### III. Rooting in Florida

Ball has been plain-speaking and tough ever since he arrived with du Pont in Florida in 1926.

Du Pont had known Ball since his childhood in Virginia. Ball, whose family had little money, quit school at 13 to go to work guarding his father's oyster beds at night against "pirates." Later, his family moved to California, where Ball clerked in a hardware store—

ANOTHER REASON FOR CHOOSING  
OWENS-ILLINOIS CORRUGATED BOXES



MR. STRONGBOX  
An Owens-Illinois trademark

## How Owens-Illinois corrugated boxes cut product damage 13%

### LOCALIZED SERVICE FROM:

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Aurora, Ind. Los Angeles, Calif.\*  
Bradford, Pa. Madison, Ill.  
Bristol, Pa. Memphis, Tenn.  
Chicago, Ill. Mercedes, Texas  
Dallas, Texas. Miami, Fla.  
Detroit, Mich. Milwaukee, Wis.  
Flint, Mich. Minneapolis, Minn.  
Jacksonville, Fla. Newark, N. J.  
Kansas City, Mo. Oakland, Calif.\*  
Salisbury, N. C.

\*These plants operated by National  
Container Corporation of California.

The right degree of product protection is the *first* concern of our packaging engineers.

Example: Damage from bruising during handling and shipment of new spring potatoes resulted in 15% loss. Owens-Illinois designed a corrugated potato box that reduced this loss from 15% to less than 2%.

Result: Substantial savings without *overpacking*, which can cost more than the damage it prevents.

From potatoes to missile components, our packaging engineers design product protection and economy into corrugated boxes.

We have a plant near you and if Owens-Illinois can't package your product in corrugated, nobody can!

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a product that incorporates a fan or blower into its basic design  
Lau's industry famous engineers can help you.

Lau Engineers, as air handling specialists, are continually making major contributions to their clients' product performance. These contributions invariably result in improved product quality and frequently in reduced production costs.

There's a Lau Sales Engineer located conveniently near you.

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for exactly one day. At day's end he picked up his chips, and he has been on his own ever since.

His forte then, as now, was salesmanship. Ball sold cash registers, furniture, autos, and lawbooks. When his commissions hit \$18,500 a year, Ball went back East to run a tomato canning plant for his brother-in-law, Alfred. He convinced du Pont that the plant was a losing proposition, persuaded du Pont to concentrate on his investments. As du Pont's right hand man, Ball negotiated intricate legal arguments, traded for new properties, bargained over interest charges with J. P. Morgan & Co. When du Pont broke with his cousins and moved to Florida, Ball moved on, too.

• **Finger in Dike**—Alfred du Pont had a great deal of civic consciousness, and he felt that Florida would benefit from some financial help. Actually, the state's financial structure was trembling at the time, with the land boom on its last legs. Not even du Pont's millions could avert collapse, but he and Ball gave it a noble try.

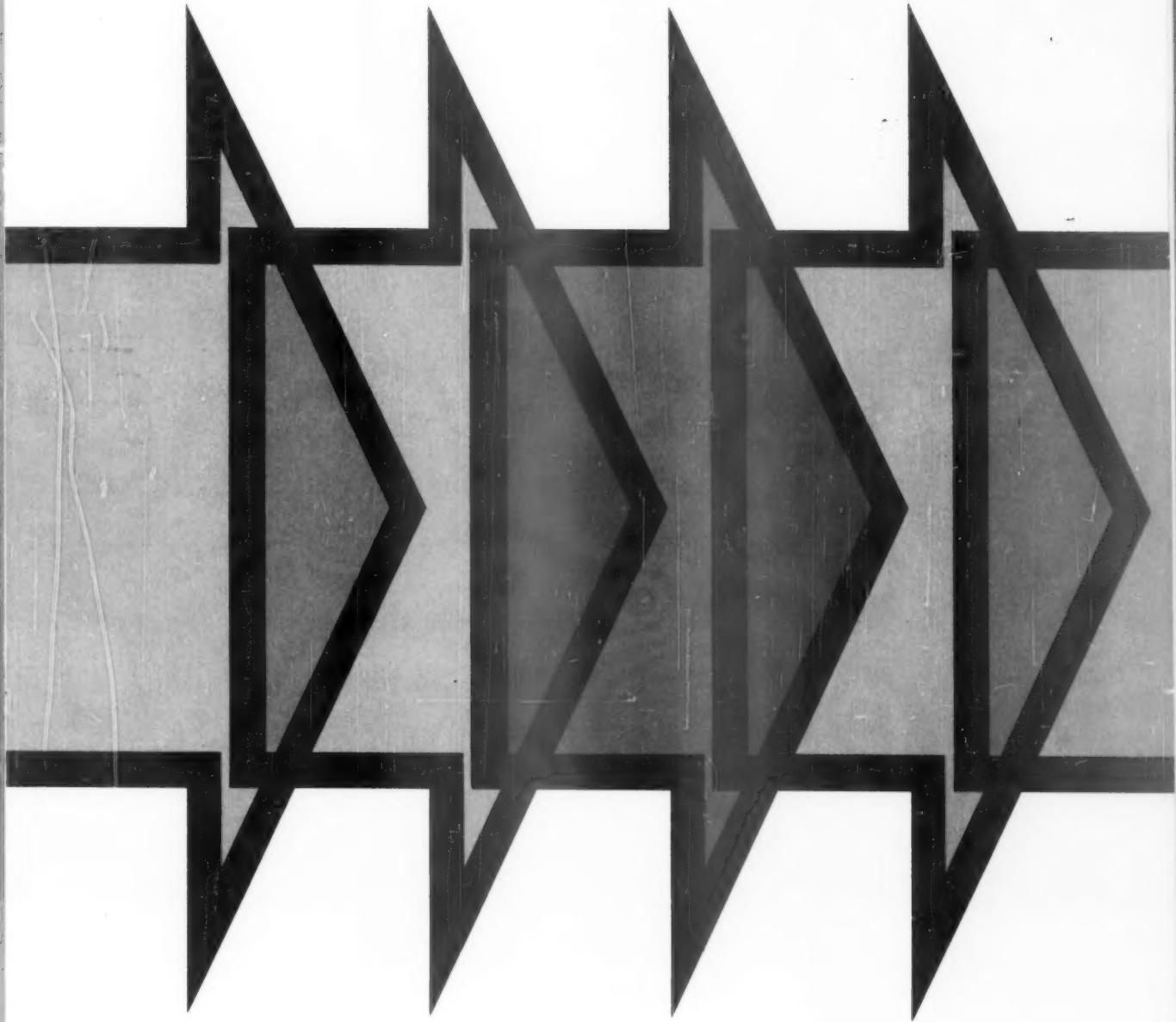
For the most part, du Pont was content to operate behind the scenes, with Ball acting as the front man, becoming a familiar figure among the state's bankers and businessmen. He bought banks, securities, and real estate, with the emphasis on banks, for du Pont believed that, more than anything else, the state needed the economic stability that would come through a solid banking system.

When a wave of bank failures hit Florida in the late 1920s, du Pont stepped into the breach. Charles F. Shewmake, president of Miami's Florida National Bank & Trust Co., recalls that du Pont and Ball took loans on \$15-million of du Pont's government securities to provide cash for depositors who were making a silent run on Jacksonville's three biggest banks. Shewmake says, "The move averted financial ruin in Florida."

• **Moneymakers**—In setting up the Florida National Bank group, du Pont also developed a group of banks that became—and still are—extremely liquid, conservative lenders, and good earners. According to McGregor Smith, "If it hadn't been for Mr. du Pont and Mr. Ball coming here when the state was down and out and investing in a future that looked very bleak then, Florida might never have grown to the proportions and prosperity it is enjoying today."

Du Pont also developed the paper mill industry in Florida. It was Ball who laid the groundwork, and steered its course, making a shrewd deal with a St. Louis gentleman named Albert Perkins who shared Ball's taste for seasoned bourbon.

• **Profitable Land**—Ball obtained an



FROM GREAT LAKES STEEL



TWO NEW STEELS—HARDER FOR HARDER JOBS



**X-A-R**

ABRASION  
RESISTANT  
STEELS

## HARD ENOUGH AND TOUGH ENOUGH TO LAST

Is abrasion your constant enemy? If your equipment meets materials as they're scooped, shoved, slid, pushed, dragged or dumped, does it face the recurring threat of downtime for repairs or replacement? To eliminate such maintenance headaches, Great Lakes Steel has developed two tougher, harder alloy steels—X-A-R 15 and X-A-R 30. They're supplied in hardnesses from 360 to 400 BHN (or, by agreement, in a range of hardness between 265 and 500 Brinell). And they're especially effective and economical in those critical bear-the-brunt areas of the equipment where wear is worst—liners, teeth, bars, blades and plates, for example. *Under conditions that commonly wear out equipment in a hurry, X-A-R abrasion-resistant steels outwear any other type of steel.*

*Great Lakes Steel is a division of*



## ST WHERE MATERIALS COLLIDE WITH EQUIPMENT

Chemical composition alone is not the secret of low carbon X-A-R steels; their balanced combination of uniformity, high strength, hardness and toughness is the result of close control during heat-treating, quenching and tempering. This makes them more workable, too. Under normal welding and fabricating conditions use X-A-R 30. For *extremely* difficult problems, such as welding under cold conditions or extensive flame cutting, choose X-A-R 15.

X-A-R abrasion resistant steels are immediately available in  $\frac{1}{8}$ " to 1" thicknesses, widths up to 72" and lengths up to 35'. For technical information and supply sources, see next page.



A PRODUCT OF

**GREAT LAKES STEEL**  
Detroit 29, Michigan

**NATIONAL STEEL CORPORATION**

# <sup>15</sup>X-A-R<sub>30</sub>

## TECHNICAL INFORMATION

### CHEMICAL COMPOSITION

X-A-R steels are furnished at two specified carbon ranges. These are 14 to 20 carbon for X-A-R 15 and 25 to 30 carbon for X-A-R 30. The balance of the typical composition is:

Manganese.....	.80%	Chromium.....	.65
Phosphorous.....	.020	Molybdenum.....	.20
Sulphur.....	.028	Zirconium.....	.06
Silicon.....	.60		

### TYPICAL MECHANICAL PROPERTIES

Tensile Strength, psi.....	180,000	At Brinell Hardnesses of: 363	400
Yield Strength, psi.....	165,000	180,000	
% Elongation in 2"	17	16	
% Reduction in Area*	56	55	
Charpy V Impact at -75°F.	12 (Ft. Lbs.)	7	

\*Based on standard .505" specimen

### ENGINEERING DATA

Resistance to Atmospheric Corrosion.....	3-5 times copper-bearing or carbon constructional steel
(Rural, Marine, and Industrial Environments)	
Compressive Yield Strength, psi.....	Approx. equal to Tensile Yield Strength
Ultimate Shearing Strength, psi.....	Approx. equal to Tensile Yield Strength
Modulus of Elasticity, psi.....	29/30,000,000
Endurance Limit (rotating beam)	60% of Tensile Strength
Coefficient of Expansion per °F.....	70°F. to 200°F.—.0000062

### FABRICATION

**Cold Bend Test:** Moderate bending can be performed within the usual range of hardnesses. For free bending, it is recommended that a mandrel be used not less than ten times the thickness of the metal through an angle of 90°.

**Welding:** Low hydrogen electrodes are recommended for welding X-A-R steels. The grade of electrode used is dependent on the strength requirement of the weldment.

**Burning:** X-A-R steels can be flame cut without pre-heating or stress relieving after cutting.

### COMPLETE METALLURGICAL SERVICE

In addition to the information given in this folder, there is a great deal of detailed data available to steel users covering all characteristics of X-A-R steels. Furthermore, a thoroughly competent metallurgical service organization is available to work with you on any application problem you may have.

#### X-A-R STEELS ARE AVAILABLE AT THESE STEEL SERVICE CENTERS

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Lyndhurst, New Jersey

LOCKHART IRON & STEEL COMPANY  
Pittsburgh, Pennsylvania

JOSEPH DEMSEY COMPANY  
Cleveland, Ohio

MARSH STEEL & ALUMINUM COMPANY  
Kansas City, Missouri

DUCOMMUN METALS & SUPPLY COMPANY  
Los Angeles, California

O'NEAL STEEL, INCORPORATED  
Birmingham, Alabama

INTERSTATE STEEL COMPANY  
Evanston, Illinois

SALT LAKE HARDWARE COMPANY  
Salt Lake City, Utah

A. C. LESLIE & COMPANY, LIMITED  
Montreal, Canada

<sup>15</sup>X-A-R<sub>30</sub>  
ABRASION RESISTANT STEELS

option, at no cost, to buy 290,000 acres of West Florida forest for \$300,000. He exercised the option, and then sold the U.S. government about 190,000 acres for a national forest for \$370,000. Thus, he was left with \$70,000 in cash, 100,000 acres, and other valuable assets.

Soon after du Pont's death, the du Pont interests and Mead Corp. formed the St. Joe Paper Co. The plant soon became profitable. As Ball tells it, things moved smoothly until 1940 when, to cap a peaceful director's meeting, Ball casually remarked: "Now let's try to find out why our St. Joe plant is being inefficiently run." Mead officials took the comment personally and sold out to the du Pont interests for only \$2.1-million.

- **Railroad Battle**—Ball's next big venture was his attempt to win the Florida East Coast RR. Flagler's dream railroad had fallen into receivership in 1931 when the air went out of the Florida boom. The railroad began producing earnings, but in 1941 it was pushed into bankruptcy and Ball felt the time was ripe to grab it. In 1941, he had St. Joe Paper Co. invest in the road's 5% mortgage bonds. Finally, it had more than half of the \$45-million issue—about \$23-million.

St. Joe, as main bondholder, appeared to have control. But Ball was balked from getting control when the Atlantic Coast Line RR, then run by the formidable Champ Davis, stepped into the picture. Davis saw a ready-made consolidation between the two lines, and he asked that there be a forced merger of the two.

ICC approved the plan, but a U.S. District Court rejected it, on the theory that St. Joe shouldn't be forced to exchange securities it had bought for securities of ACL—that it didn't particularly want. The Supreme Court backed up the decision.

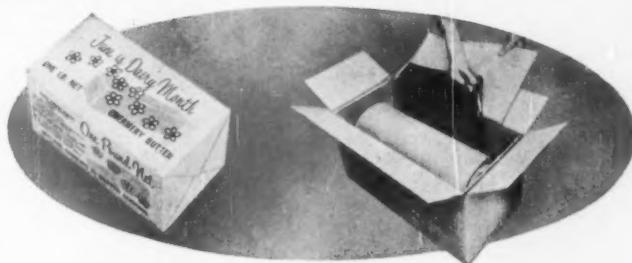
ICC then turned up with another plan—its fourth—which was almost identical in effect with its third. The District Court rejected it again. Through all this litigation, Ball never doubted that he would win, but it wasn't until 1958—after Champ Davis had stepped out in favor of W. Thomas Rice—that the ICC finally worked out a plan that gave St. Joe control.

The litigation was one of the costliest and bloodiest in railroad history, and left deep scars on many Florida businessmen who were caught between the feuding parties.

- **Eager Court Fighter**—Ball has been involved successfully in at least two other big law suits; in each he has proved to be a tough antagonist. He dragged out for 20 years an action that accused him of welshing on a mortgage guarantee, finally winning his case.

In another drawn-out suit, he beat

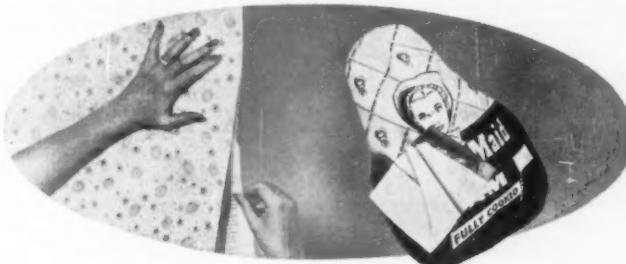
## What do butter and rubber have in common?



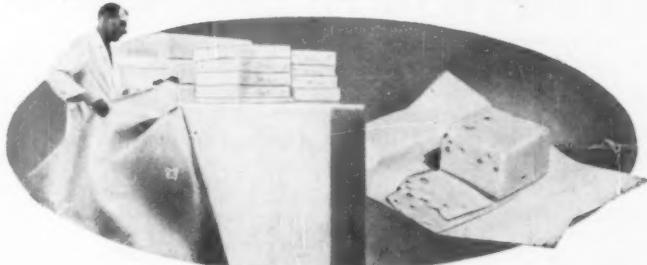
or . . . Formica and television sets?



or . . . wall covering and hams?



or . . . plastic foam and cheese?



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FILTERS, CUSHIONS, POLISHES, DECORATES**



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Company**



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### Twenty-Two Year 4 5/8% Debentures Due 1982

Dated September 1, 1960

Due September 1, 1982

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MERRILL LYNCH, PIERCE, FENNER & SMITH SALOMON BROS. & HUTZLER  
SMITH, BARNEY & CO. Incorporated STONE & WEBSTER SECURITIES CORPORATION  
WHITE, WELD & CO. DEAN WITTER & CO.

August 17, 1960.

back a \$30-million damage action filed against him by Roy E. Crummer, once one of Florida's big municipal bond dealers. Crummer's complaint was that Ball had defamed and persecuted him. But the court didn't see it his way.

## IV. As Time Runs Out

During the past 10 years, Ball, now a crusty and lonely 72, has given up some of his titles, but he still keeps a close rein on every single chain of the du Pont empire.

Most of his time is spent in running the day-to-day operations of the estate, which he treats as a big diversified company. Ball not only makes the major decisions, but also has a hand in the minor ones.

The other three trustees of the estate, Mrs. du Pont, the Florida National Bank of Jacksonville, which is represented by Roger I. Main, Ball's chief lieutenant and head of St. Joe Paper, and Elbert Dent, a du Pont son-in-law, have their own areas to specialize in, but it is Ball who has final authority and he doesn't shirk that responsibility.

- **Busy Day**—Ball has a strict regimen. He is at his office at 8:30 a.m. and when evening comes he likes to gather up business cronies at Berney's, a small restaurant near his office, or at his Hotel Roosevelt suite to share with him his stock of Old Forester. In these informal conferences, many a deal has its beginning.

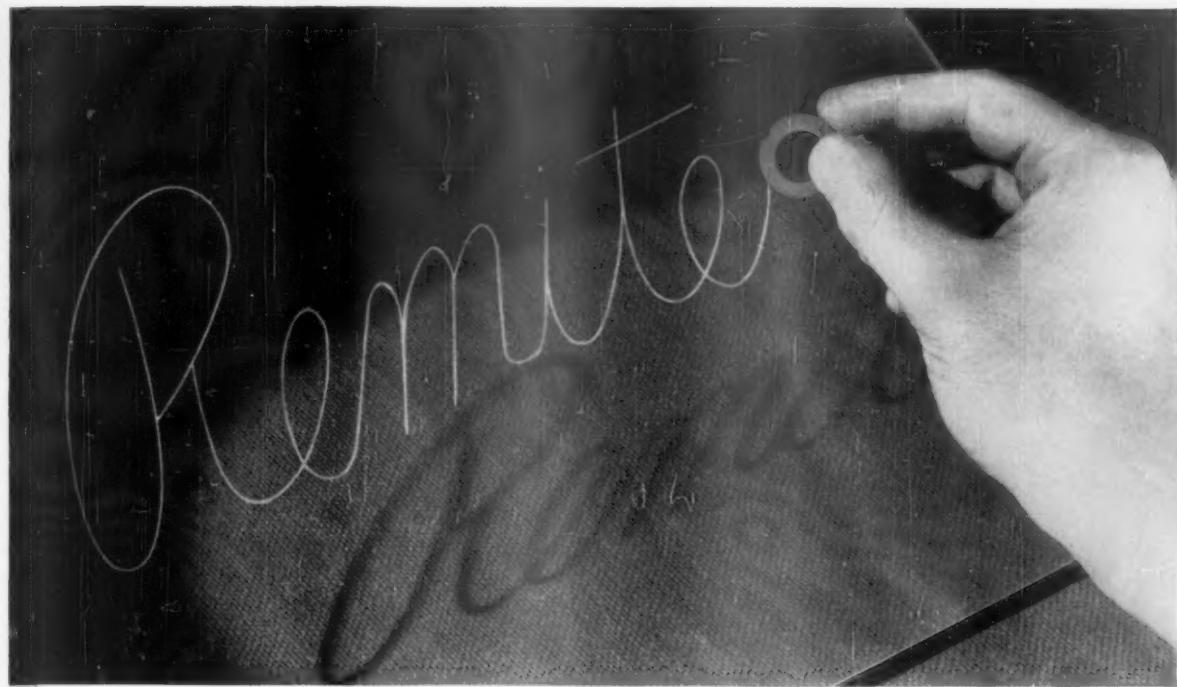
While he doesn't get paid for running the estate, Ball himself has amassed a tidy personal sum. He owns hotels in Mississippi and in Wakulla Springs, Fla., as well as real estate in other parts of the state.

- **Watching for Waste**—No business is too big or too small for Ball. For years, he has had a concession, for example, at Mt. Vernon, George Washington's home, where he sells honey among other things.

The honey concession is not penny-pinching, according to Ball's friends, but rather an example of his intense hatred of waste—whether of natural resources, of honey, or of tin cans. A friend of Ball's tells this story that he thinks sums up Ball's attitude toward the du Pont estate or any business.

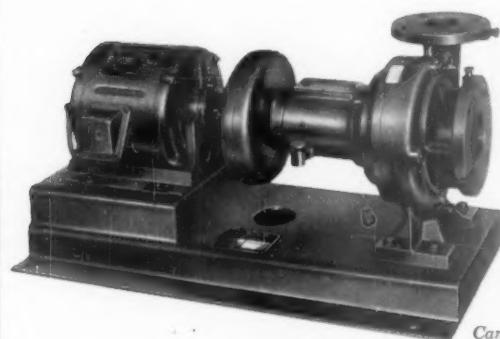
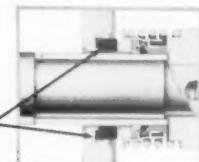
A few years ago, Ball personally took over the swanky Edgewater Gulf Hotel near Biloxi, Miss. at about 10% of its original cost. It was having its woes, but Ball cut rates, made improvements, and now it's a small bonanza for him. Among the things that troubled him, however, was that he noticed that thousands of used tin cans were thrown away as refuse.

Now, so the story goes, Ball has the tops removed from the cans, camellias planted in them, and sells them for 35¢ each. **END**



## How a new seal material raised the standards of **centrifugal pump performance**

Position of "Remite"  
seal as used in B&G  
Universal Pump—a unit  
noted for quiet operation.



A new material, called "Remite", developed in the Research Laboratory of the Bell & Gossett Company, simplifies the problem of keeping water out of the bearings of centrifugal pumps.

"Remite" is almost diamond-hard...easily cuts glass. When used as a mechanical seal in a centrifugal pump, its wear-proof characteristics eliminate pump leakage trouble. All B&G centrifugal pumps are equipped with "Remite" seals.

"Remite" is also produced commercially for a wide variety of applications where hardness and wearing qualities are important. It has high flexural strength and has corrosion-resistant qualities against a large number of chemical fluids. Electrical insulating properties are good at both high and low frequencies.

B&G research likewise makes continuous contribution to the widely diversified line of products made by this company. These products, produced in six plants, reflect the B&G insistence upon quality.



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Booster Pumps



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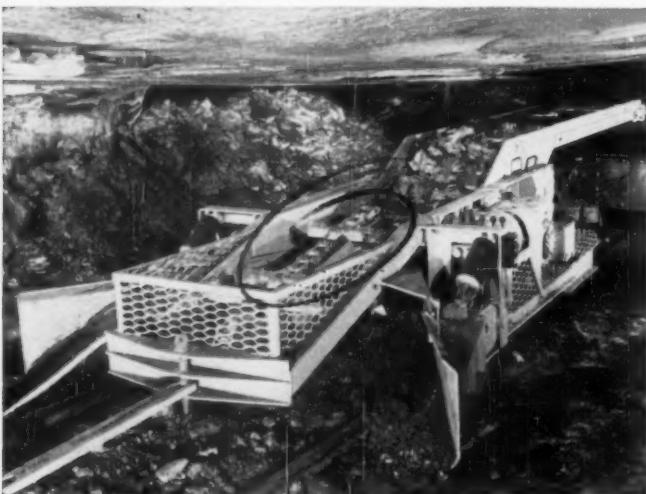


Oil-less Air Compressors

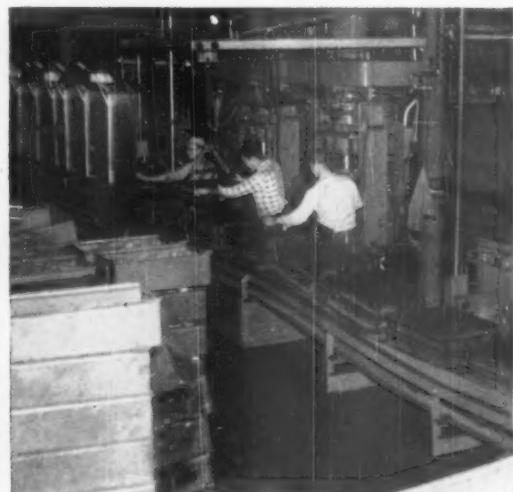
# What's NEW in Mechanization



**WORLD'S LARGEST MUNICIPAL WATER FILTRATION PLANT**—now being built in Chicago, will be equipped with 64 Jeffrey mixing units. Jeffrey is a leading supplier of equipment that mechanizes sewage and water treatment, for local governments and industry.



**CHAIN KEEPS MATERIALS MOVING**—Jeffrey chain was selected as part of the "beefing up" in design on Canton track cleaners to withstand extreme wear and stress. Jeffrey chains help various industries keep materials on the move. For conveying materials and transmitting power, it's a job for Jeffrey.



**DOUBLES FOUNDRY OUTPUT**—This new 400-foot-long Jeffrey Mold Conveyor, used in connection with semi-automatic molding machines, enabled this foundry to double capacity without expanding plant size.

Jeffrey serves every basic industry with *mechanization*...conveying and processing equipment, transmission and mining machinery. Sales-engineering service world-wide; standard products stocked by authorized distributors.

The Jeffrey Manufacturing Company, 960 North Fourth Street, Columbus 16, Ohio.

Mechanization for every basic industry



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Job No. H-23974

## Current Management Credos Under Fire



BOOKS in the field of management tend to be sober when they aren't deadly dull.

This week, with the publication of the latest work of Ernest Dale (above), *The Great Organizers* (McGraw-Hill), one recognized authority achieves the triple distinction of a book at once interesting, informative, and irritating. Readers of his widely quoted *Planning and Developing the Company Organization Structure* (American Management Assn., 1952, Research Report No. 20) may even wonder at times if the same man wrote both.

In its own organization, Dale's latest is a model of simplicity. Four central chapters, each devoted to a separate company and its "great organizers," are sandwiched between two essays in which the author has his say on the proper study of management and on the proper conduct of managers.

\* **Principles vs. Guides**—Dale's argument on the first point, the study of management, suggests that we've all been putting the cart in front of the horse in developing, over the last 50 years, our general understanding of management and formulating principles that all managers must observe. Universal truths of organization that will permit scientific determination of future results may someday be discovered, but that day, he thinks, has not yet arrived. From this standpoint, the present throng of modern management men—their teachers and their followers—are quite literally a pretty unprincipled lot.

And Dale himself rigorously avoids using the term "principle" when referring to the truths he's learned in his own comparative studies—studies limited strictly to

identifying basic similarities among different organization structures.

- **Heroes**—The four such studies that form the core of this book are fascinating additions to the history of American business, revealing the motives as well as the methods of the men who made du Pont, General Motors, National Steel, and Westinghouse the companies they are today. Dale's great organizers, the heroes of this book, therefore turn out to be: Pierre S. and Irene du Pont and Walter S. Carpenter, Jr. of du Pont; Donaldson Brown, Alfred P. Sloan, Jr., John Lee Pratt, and James D. Mooney of General Motors; A. W. Robertson, Ralph Kelley, and Frank D. Newberry of Westinghouse; and Ernest Tener Weir of National Steel.

Hardly a one has yet been recognized by orthodox historians of the management movement as worthy of a place beside Fayol, Taylor, Gantt, Gilbreth, and all the other contributors to traditional management theory. Perhaps, like Mooney, they should all have written books—for most of the figures already admitted to management's hall of fame, from Henri Fayol to Chester I. Barnard, were also practical businessmen like Dale's leaders.

- **Familiar Ring**—By way of comparison, however, the guides or approaches to organization derived by Dale from his great organizers will not prove completely unfamiliar to students of the "old" principles of management. For example:

- "Profitable control may be achieved by responsibility accounting: linking organization structure to a planned rate of return on investment and controllable expenses."

- "Decentralization of operations and coordination of control . . . may provide a means of utilizing the advantages of both large- and small-scale enterprise."

- "Substitution of control by a group for one-man control works best when members of the group have homogeneity of outlook, egalitarian status, and heterogeneity of ability."

Dale also finds a fourth criterion—made vivid by many references to the case of du Pont and General Motors, decided in principle by the Supreme Court in 1957. This forms the theme of the book's concluding chapter:

- "Organization of 'rebuttal power' through substantial minority stockholders can act as a valuable check on absolute power and ingrown management and provide a means of developing freedom of expression, which may lead to better decision-making."

- **Fundamentalist**—Dale's position on the second part of his subject, the accountability of management and the responsibility of boards of directors, reveals a conservative philosophy. A dozen years ago, an early edition of Adam Smith's *Wealth of Nations* graced his desk. Today he takes his stand with owners rather than management in any conflict between the two. He regards governmental control as obnoxious and dangerous, and accepts the search for profit as the proper objective of business organization. In general, Dale

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Systems competence in design, implementation, structural construction, installation, operation, training, and maintenance of:



1. Space surveillance systems



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3. Instrumentation, control, and switching systems



4. Telecommunications systems



5. Integrated land, sea, and air communications systems



6. Data systems



CABLE • ALPHA DALLAS

## The management pattern

applies economic standards to matters that others might place in the social or moral category.

Early in the book, for example, he castigates some studies that approach management from the human relations point of view as "irresponsibly critical of formal organization theory and structure." He insists that "many organized activities have to equate income and outgo, at least roughly so, over a period of time." And the organization required for this "may not make all its members fully 'happy.'"

• **Dilemma of Control**—In Dale's further arguments it is the need for control of management that becomes one of the harsh realities. Managements have grown more independent with the disappearance of owner-managers and the dispersion of stock ownership. To whom are they now accountable? The inside board, and the board whose members are beholden to the very managements they are expected to control, make the dilemma plain to all.

Dale here finds no hope in a fundamental article of faith of many missionaries of modern management—the development of professionalism among managers. According to him, this first requires the development of a science of management. Dale simply insists that "there are as yet really no professional standards that can control management conduct and make other checks unnecessary."

Dale similarly rejects completely the notion that management will be checked by developing a sense of social responsibility. Certainly management cannot and should not become the arbiter determining what share of the company's returns should go to itself and to each of the company's publics. For managers "are the representatives of one of the parties at interest—the owners."

• **Effective Check**—As a substitute, Dale makes a strong case for partial proprietors as a check upon management. These are owners who control a large enough number of shares to obtain a seat on the board of directors, as the du Pont directors formerly did on the General Motors board, the Block directors at Inland Steel, and the Mellon directors at Gulf Oil. They provide the independent review of fundamental management decisions that is necessary.

Some who accept Dale's conclusion may not agree that advice to management to become "more 'professional,' 'more social-minded,' is for children, not for corporate executives." This will doubtless be taken as a libel on the managers of many progressive corporations. Their teachers and spokesmen on many a business school and management association platform should be quick to reply.

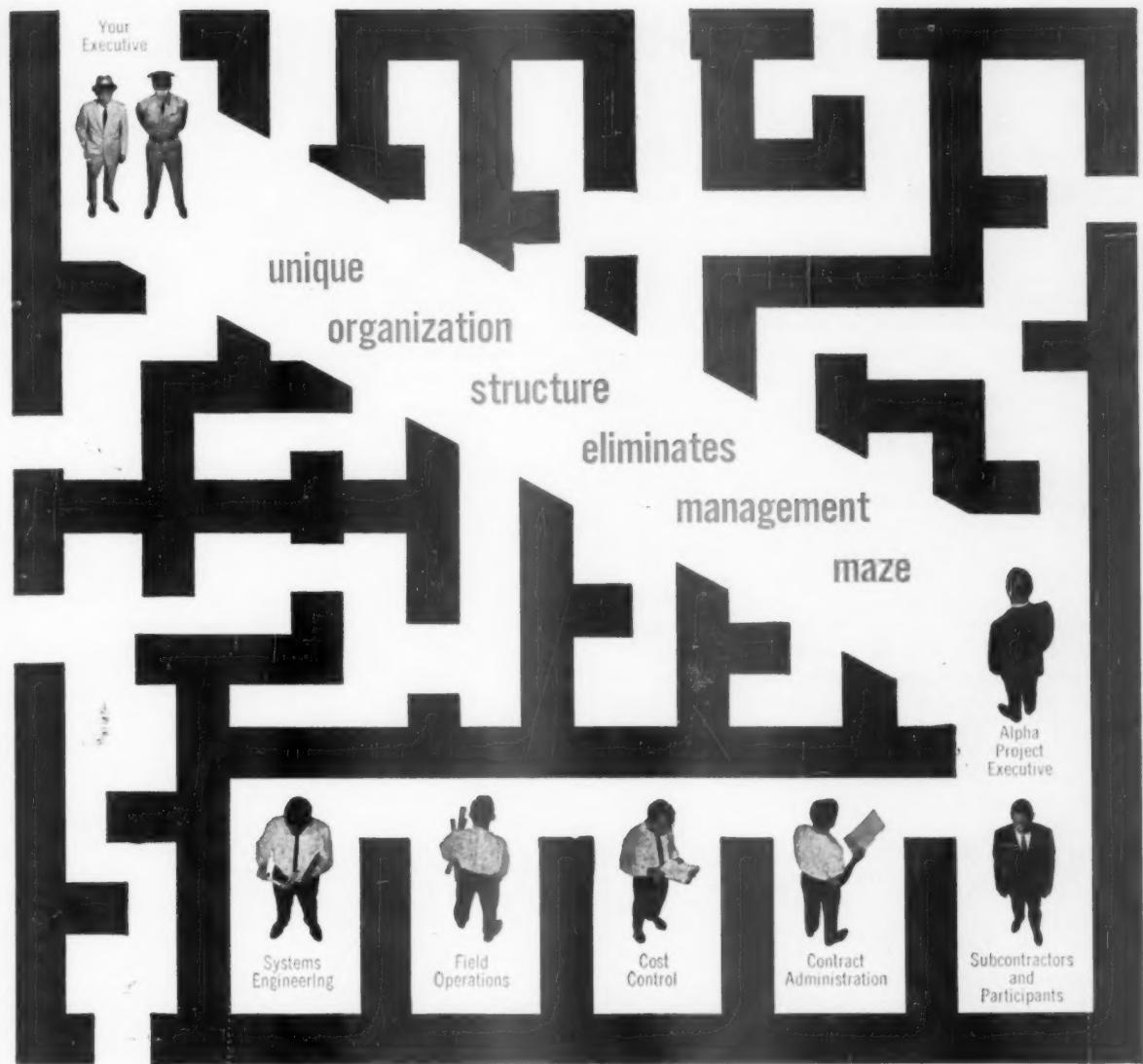
• **Debate**—Since Dale himself is active in both arenas, the coming debate should prove instructive. Some of the basic issues have been in discussion for some time: Is management an entity in itself; is managing an activity that can be independently analyzed, learned, transferred, developed? Dale says this view has been overemphasized.

What are the functions of management as distinct from the functions of business? Is finance a function of management? And what are the functions of a board of directors?

• **Economists vs. Management Experts**—Finally, are management and organization best understood, and most hopefully to be improved, by economists and social scientists, or by management experts?

Dale is an economist. But he is also a professional management consultant, president of his own concern, a director of several companies and chairman of one. Once on the staff of the AMA, he has continued his research in the field; his writings are part of its standard bibliography. Presumably he qualifies as a management expert.

At Cornell he is an associate professor both of economics and business administration. Perhaps in his double capacity he will be able to resolve the apparent conflict of authority between the economists and the management experts—or prove to the satisfaction of all that it really doesn't exist. Few should be better prepared to render this great service.



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# In Management

## Few Companies Have Cut-and-Dried Rules On What Can Be Put on Expense Account

Formal yardsticks for determining how much an executive can charge to his expense account are not very common, according to a survey of 375 companies made by the National Industrial Conference Board. Most companies simply ask that the expenses be "reasonable" and "for business purposes"—with vague definitions of what these terms mean. Only four firms regularly pay a standard per diem rate, and even they frequently supplement it.

Over half of the companies sometimes pay wives' expenses when they accompany their husbands on business trips. The usual criteria are length of trip, whether there are social situations involved in the trip where a wife would be useful, whether the events attended by the executive are normally attended by wives. On the other hand, a few companies forbid wives on business trips.

Most of the companies pay executives' dues in business or professional organizations that are directly connected with the job. About 44% also pay for luncheon clubs, 41% pick up the tab for athletic and country clubs, and 35% pay for civic or service organizations. Only 13% won't pay for any clubs; the usual reason is that memberships are a regular part of an executive's job requirements and are figured in his salary.

Almost all of the companies supply executives with some credit cards. The most popular are air, rail, and telephone cards, but 27% also pay for general credit cards like Diners' Club and American Express. Companies that don't use cards feel that their advantages—elimination of the need for carrying large sums of cash and ease of getting receipts for making up expense accounts—are outweighed by the tendency of card users to entertain more and by the clerical time needed to control the cards.

## Why One Young Executive Gets Ahead And an Equally Qualified Man Doesn't

Getting ahead in management is a game that the aspiring executive plays against the organization. Success, according to three Carnegie Institute of Technology professors, depends not only on the cards the executive holds but also on the way he plays them.

The three professors—William R. Dill, Thomas L. Hilton, and Walter R. Reitman—analyzed the early management careers of 30 graduates of a two-year master's degree program in industrial administration. All 30 were of high intelligence and had similar educational and family backgrounds. Why did some advance faster than others?

One difference was in their personal goals, the professors report in the California Management Review. The men who advanced rapidly expressed more desire for

power, autonomy, income, and status than the others. They were readier to pay the price of success (job insecurity, isolation, harder work) and felt less commitment to their present jobs and working conditions. Although they actually changed companies less often than their less successful classmates, they maintained a wide range of outside contacts and were constantly on the lookout for other opportunities.

The more successful men also were more sensitive to their environments and quicker to adapt their strategies to the conditions they found around them. They were aggressive in defining their own tasks, willing to take risks, and resilient to setbacks. Their attitude toward the organization was detached; in fact, they showed "a firm distrust of the organization as a protector of their own long-run interests."

## Most College Freshmen Are Naive About the Facts of Corporate Life

College training in economics tends to push students' views closer to the opinions of corporate executives on such matters as the importance of the profit motive and the advisability of having prices regulated by competition rather than by government controls. That's one of the results of a survey of 4,500 college freshmen and seniors made by the Opinion Research Corp. of Princeton, N. J.

The study, which was conducted in 12 Midwestern liberal arts colleges, also showed that without formal training in economics, less than half the seniors know such elementary business information as that corporate officers report to the board of directors and that in an average year many companies operate at a loss.

Another surprise result was that the sons and daughters of businessmen seemed to know as little as other freshmen about the workings of business.

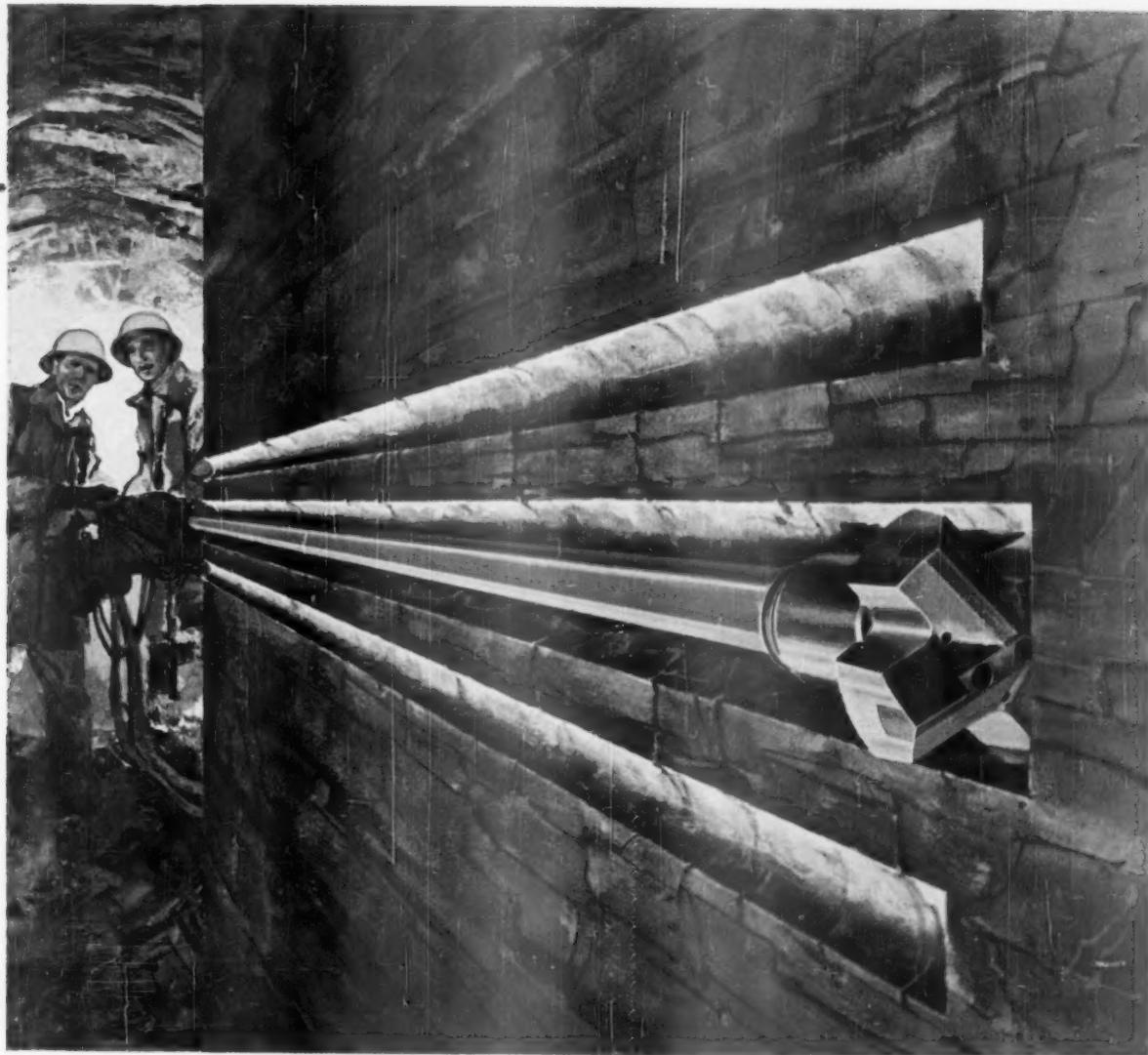
## Corn Products Gets a New President

The new president of Corn Products Co. is John R. Rhamstine (picture). He succeeds William T. Brady, president since 1956, who was elected chairman of the board and remains the chief executive officer. The post of chairman has been vacant since Dr. Ernest W. Reid retired in 1957.

Rhamstine has been with Corn Products since 1934 and served as executive vice-president and a member of the executive committee since 1955. Brady came to Corn Products in 1919.

Corn Products, which recently merged with Best Foods, Inc., is one of the world's largest producers of industrial and food products, with annual sales of over \$600-million.





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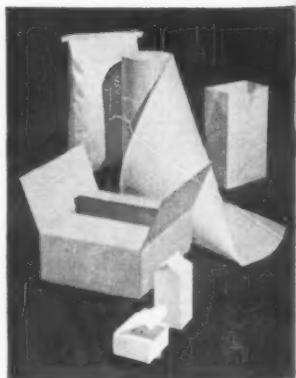
One of the most valuable recent additions is bleached Gator-Hide Extensible Kraft. This paper provides built-in stretch for extra strength. It is ideal for industrial wrappings, multiwall

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# In New Products

## Fiberglas Flakes Used in Coating Need No Mixing at the Site

Owens-Corning Fiberglas Corp. has come up with a new spray coating to protect metals, wood, and concrete against corrosion and wear. The main ingredient of the new coating is the tiny flakes of glass that Owens-Corning calls Fiberglas Flake.

This is the second product to utilize Fiberglas Flake, says the company. Its first application, about a year ago, was in paneling that polarizes light to reduce glare.

The coating is described as consisting of a homogeneous mixture of the flakes with resin, fillers, accelerators, and, if desired, color pigment. Thus, it can be sprayed right on, without mixing on the job. In other coatings of this type, made from chopped glass fiber roving, the base of resin and catalysts and the glass itself have to be mixed as they are applied from separate nozzles.

With the new coating, a single 20-mil-thick application contains 50 layers of Fiberglas Flake. Owens-Corning claims this is roughly equivalent to 50 coats of paint.

Owens-Corning is producing only pilot plant quantities, which will be marketed by a limited group of distributors. Meanwhile, the company is continuing field tests. The De Vilbiss Co. of Toledo, Ohio, has developed a spray gun unit run by compressed air to handle the new coating.



## Versatile Auto-Hauling Trailer Converts Into General Freight Van

This unusual auto-hauling truck trailer, shown taking aboard a new Dodge, quickly converts into a general freight van. It is manufactured by Dorsey Trailers, subsidiary of Dorsey Corp., and marketed by its designer, Dual-Evans Corp. of Plymouth, Mich.

Reginald Armour, president of Dorsey Corp., thinks the new trailer may end transporting new autos as a specialized branch of trucking. Auto-hauling firms will

be able to carry all kinds of dry freight, and general truckers will also be able to deliver new cars.

Since their use is so limited, Armour feels that the open trailers now hauling cars are uneconomical. At present, when a driver delivers his load of new cars to distributors, he has to make the return trip with an empty truck. Furthermore, during the months when car shipments slow down, he is practically idle.

But Dorsey's new trailer solves these problems because it can always be kept busy hauling something. After its cargo of autos—it can hold four—is unloaded, two men can change it into a freight van in less than 10 minutes, according to Dorsey. The ramp for driving cars into the trailer folds up and stores in a space under the cargo area. The platform that splits the trailer into two levels is raised up into the roof by an electric motor. Finally, flaps close over the equipment on the floor for holding cars in place.

The trailer has now become a 26,000-cu.-ft. van capable of carrying 23 tons of freight.

In order to be ready for the 1961 models, Dorsey has put 100 units into production. A major auto manufacturer has shown considerable interest, says Armour. About 60 days from now, the company will begin production of a trailer that lugs five or six compact cars and one that converts into a refrigerated van.

## GE's New Transistorized Power Supplies Have Fewer Components, No Moving Parts

General Electric Co. has just introduced a new standard line of transistorized d.c. power supplies with, the company claims, 25% fewer components than competitive equipment.

The new line is an outgrowth of some of GE's work for the military. The most significant feature of these power supplies, says GE, is the large amount of self-protection they provide. A newly developed circuit keeps check on both volts and current coming through, automatically shuts off the power in the event of an overload. As soon as the fault is remedied, the supply turns itself on again.

The units consist of printed circuits, power transistors, silicon rectifiers, and alumalystic capacitors. Thus, they involve no moving parts. The entire line is convection-cooled—aluminum fins surrounding the transistors carry the heat away.

Ranging in output from 15 to 300 watts, the new power supplies cost from \$350 to \$1,100. Some suggested applications: powering computers, radio transmitters, automation equipment.

## New Trick for Thermo-Fax Machine

Plastic laminating film in 8½ x 11-in. sheets is being marketed by Minnesota Mining & Mfg. Co. under the Thermo-Fax brand label. You simply insert the original document or card with a sheet of the film on one or both sides into a Thermo-Fax copy machine, and the machine's heat seals the two together.

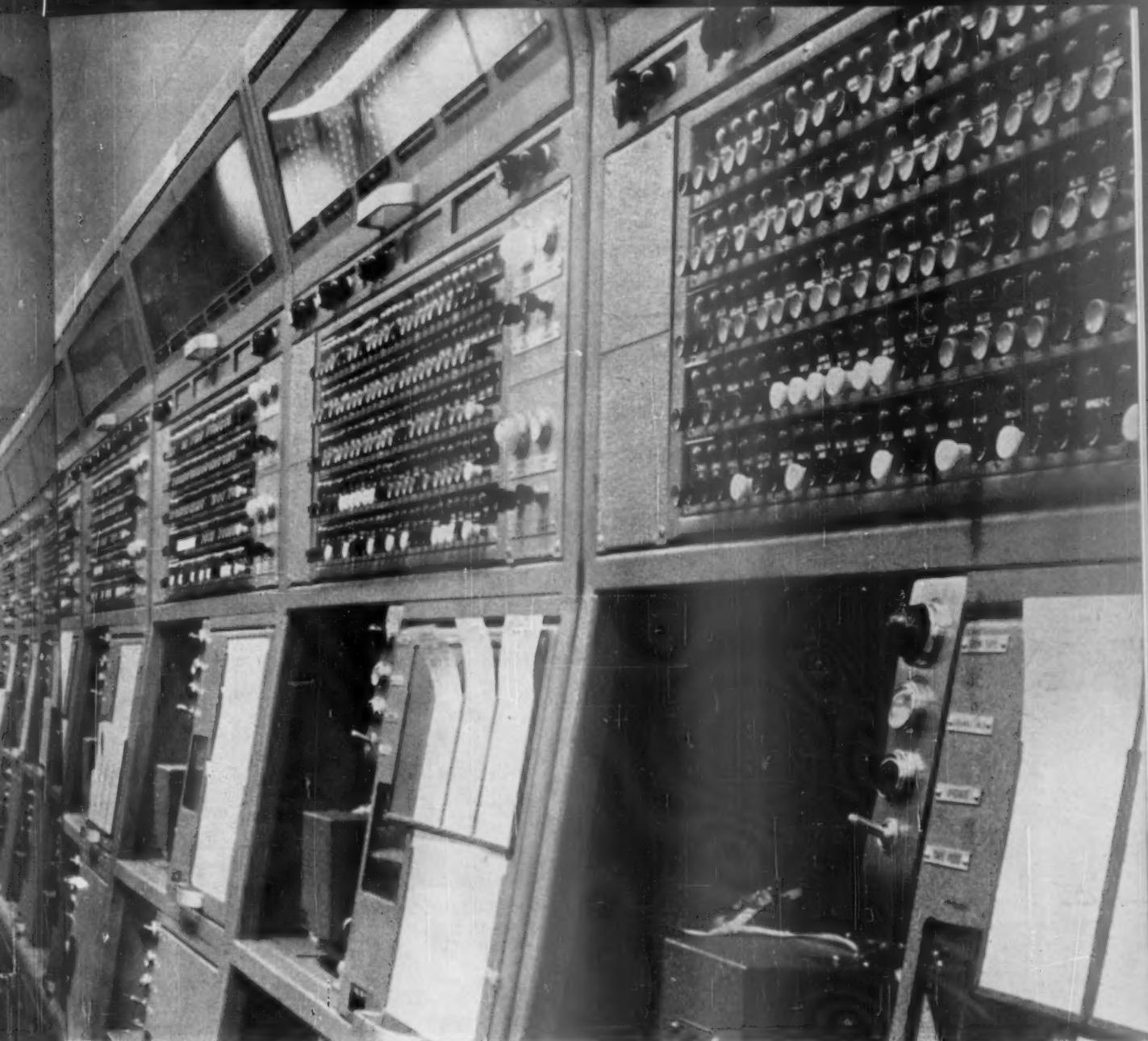
**PRODUCTION**



**Pushbutton switching center for**

## **Electronics**

When Walter P. Marshall (cover) stepped into the president's job at Western Union in December, 1948, it looked as if his tenure might be short and unhappy. Western Union, once the backbone of fast and dependable long-distance communications in the United States, was, quite plainly, a deathly sick old company. It was saddled with high labor costs, old equipment, crushing debt, and local operations that often cost more to run than they returned in gross revenue.



for  
ics bank communication system symbolizes Western Union's retreat from old methods and equipment.

## ics Puts Young Blood in Old Company

Some Western Union executives were waiting for a declaration of bankruptcy; many doubted that the company would survive to celebrate its 100th anniversary in 1951.

• **Rejuvenation**—But in the ensuing 10 years, Western Union not only has pulled through, but it has thoroughly rejuvenated itself. Instead of a winded oldster that could only look back at the days when its competition was the Pony Express, it now resembles an electronics adolescent with a bright and profitable

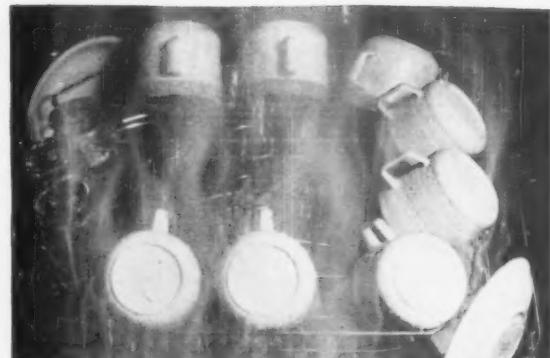
future. The company's new strength already is evident: Last year its revenues and earnings set an all-time high.

Western Union can be expected to keep on growing. In the next five years, management hopes to spend \$350-million on expansion. Next year, the company plans to spend \$105-million for plant and equipment on top of \$45-million this year. Completion of a transcontinental microwave network will increase the system's circuit capacity 10 times, and will add enor-

mously to the range of services it can offer. It will be able to provide increased telegraphic service, leased voice channels, facsimile, closed-circuit television, and, perhaps most important of all, high-speed data processing channels that can handle digital information at computer speeds.

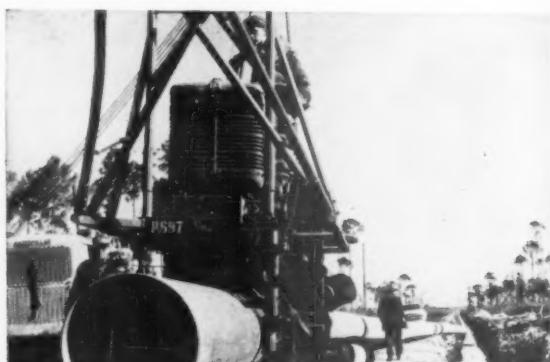
### I. Financial Turnaround

The job of turning Western Union around from a faltering centenarian to



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1. (a) and (b) are both correct. It keeps cars factory-fresh.  
(c) is a possible answer, too.
  2. Check (a) (b) and (c). Steam sterilizing doesn't distort them.
  3. Check them all — tough abrasion resistant high-density polyethylene meets military specifications for use in the field.
  4. (b) and (c) are the chief reasons. They add up to superior protection from corrosion. Rapid application is another advantage.
  5. (a) and (c). Moisture resistance (b) is a feature of all polyethylenes, but high density can be used in thinner coats for equal all-round performance.

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The logo for Union Carbide, featuring the company name in a bold, sans-serif font inside a dark hexagonal border.

an eager and aggressive competitor in the communications field was a difficult one. Before the company could even think about modernization, it had a raft of complex financial problems to solve. Few outside the company realized just how close to extinction it was 10 years ago. A look at the books shows how deeply in trouble the company was:

- Operating losses were about \$1-million a month.
- Bond issues totaling \$30-million were maturing in 1950 and 1951, and bond issues and notes totaling \$35-million were due in 1960, but no provisions for paying them were being made.
- Labor costs were eating up 69.2% of the company's gross revenues, leaving little money for maintenance or modernization.
- Message service, Western Union's basic revenue source, was declining steadily. It dropped from \$178-million in 1947 to \$146-million in 1949.
- Competition was formidable. More and more, business communication was going over long-distance telephone lines, and American Telephone & Telegraph's TWX service, a teletypewriter exchange network, was diverting a tremendous amount of business from Western Union's wires.

So the yellow glow of the familiar Western Union offices burned red in Western Union's ledgers. The many local offices it maintained hung like a weight around the company's neck, pulling it deeper toward losses. Yet to abandon some of the offices or even limit their hours required not only months of delay but also expensive hearings.

• **Quick Action**—These are the problems that Marshall set about solving when he took over in 1948. He was 47 and had a background in financing and accounting. Unlike most of his predecessors, he had long experience in the telegraph business. With the exception of Joseph Egan, Marshall's immediate predecessor, Western Union's presidents since the 1930s all had been railroad men.

Marshall had come to Western Union in 1943 as assistant to the president when the company absorbed Postal Telegraph, where he had been executive vice-president. For years, Postal Telegraph had been on the verge of insolvency, and its troubles provided familiar experience. Marshall's first actions as president of Western Union were to organize the company's debts and to start cutting labor costs.

He took care of debts by selling off property and leasing it back, by selling pole lines, cashing in securities, and selling such subsidiaries as Teleregister and American District Telegraph. For example, the big Western Union building in downtown New York was sold to Woodmen of the World Life Insur-

ance Society—a fraternal life insurance company—for over \$12-million.

Then Marshall shocked the board of directors by announcing immediate plans to spend millions of dollars on a broad modernization and expansion program for services such as Desk-Fax, a method of transmitting telegrams by facsimile directly to business offices. He also accelerated the program for installing automatic switching centers in 15 cities. He got management behind a big push to get more private wire business and to increase facsimile services. All of this cost a lot of money. And with the company's history of steadily diminishing revenues, it looked risky indeed.

• **Quick Results**—Losses in 1949 amounted to nearly \$4.5-million on sales of \$181-million. But by the end of 1950, Marshall's moves began to show results. Unprofitable local offices were being cut out and automatic switching centers were beginning to increase efficiency. That year alone, labor costs were cut by nearly \$6-million, revenues went up to almost \$188-million, and the company turned a \$7-million profit. There has been no red ink since then, and in 1959 earnings were a record \$16-million on sales of \$276-million.

The company's debt position also has been reversed. All the outstanding bond issues have been paid in full or advantageously refinanced.

## II. Leap to Modernization

So, with its financial house in order, Western Union is in a position to take off in new directions to insure its future. And in many respects, never has there been so fortuitous a time for the company to modernize.

During the late 1940s and throughout the 1950s, startling progress has been made in electronics and communications technology. Two developments particularly were important to Western Union: (1) the perfection of high frequency radio relay system—microwave—which provided a logical and much less expensive way to increased long-distance facilities; and (2) development of computers and automatic electronic switching systems, which promised big increases in efficiency at high reliability levels.

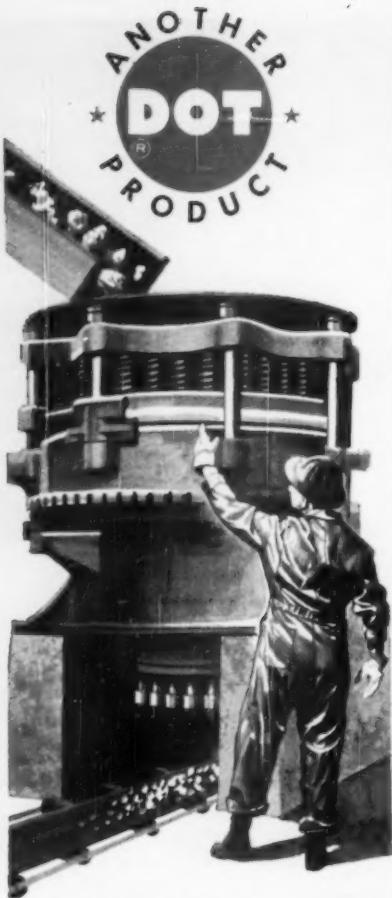
• **Big Jump**—With much of its plant obsolete, Western Union was able to go from old manual systems to the most modern automatic equipment in one big jump. For example, in the 1940s almost all of Western Union's services were carried on telegraph channels of a very narrow frequency range of 170 cycles per second, providing a top communications speed of only 60 to 100 words a minute. Today, the company's nearly complete transcontinental micro-



DIRECT DIALING is a feature of Telex, Western Union's teleprinter exchange service that competes directly with TWX.



FACSIMILE transmission of weather maps for the U. S. Weather Bureau is another service now offered by Western Union.



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wave system will consist of two 6-million cycle channels capable of carrying broadband television, handling over 12,000 simultaneous telegraph messages, transmitting computer tapes at high speed, or carrying voice communication or facsimile. These so-called broad-band signals can't be carried on ordinary wires, but require coaxial cable or ultra-high-frequency radio beam carriers.

Had its modernization started earlier and been more gradual, the company would have sought to increase its capacity slowly through intermediate steps. These would have been expensive and yet they would not have been able to provide the facilities the company now feels it needs.

- **Decreasing Dependency**—The new broad-band system also will reduce Western Union's dependence on other communications carriers. Western Union particularly has been dependent on the Bell System for leased facilities. In the early 1950s, about 70% of Western Union's circuit mileage was leased, mostly from AT&T.

Although the number of leased wires has not been reduced in absolute terms, today their proportion has decreased to about 60%. S. M. Barr, Western Union vice-president in charge of planning, expects this percentage to drop to 40% in the next few years, hopes to get the proportion of leased facilities down to 20% eventually. "You can see the kind of growth we expect, then, if we see no reduction and a possible increase in the number of leased facilities," he says.

The big increase in traffic that Western Union anticipates for its new system is not likely to come from public message services, which have been the backbone of its business. This type of service basically is tied to population growth, and to some extent to merchandising gimmicks such as singing birthday greetings, flowers and candy by wire, and other special services.

- **Private Expansion**—But it does expect its private wire services to expand greatly. Here, particularly, Western Union's new facilities will be of help in solving communications problems for private customers. Western Union already has a good deal of savvy when it comes to tailoring a special system to a customer's needs. About 2,000 companies in the U.S.—among them U.S. Steel, General Electric, Sylvania, and United Air Lines—have private communications networks leased from Western Union. And its bank wire service interconnects 213 banks in 55 cities with pushbutton switching.

Western Union got into the private systems business without much selling effort. In most cases, it just waited for customers to come to it. But those days, like the days of the hand-operated message centers, are long since gone.

Now the company is pushing leased



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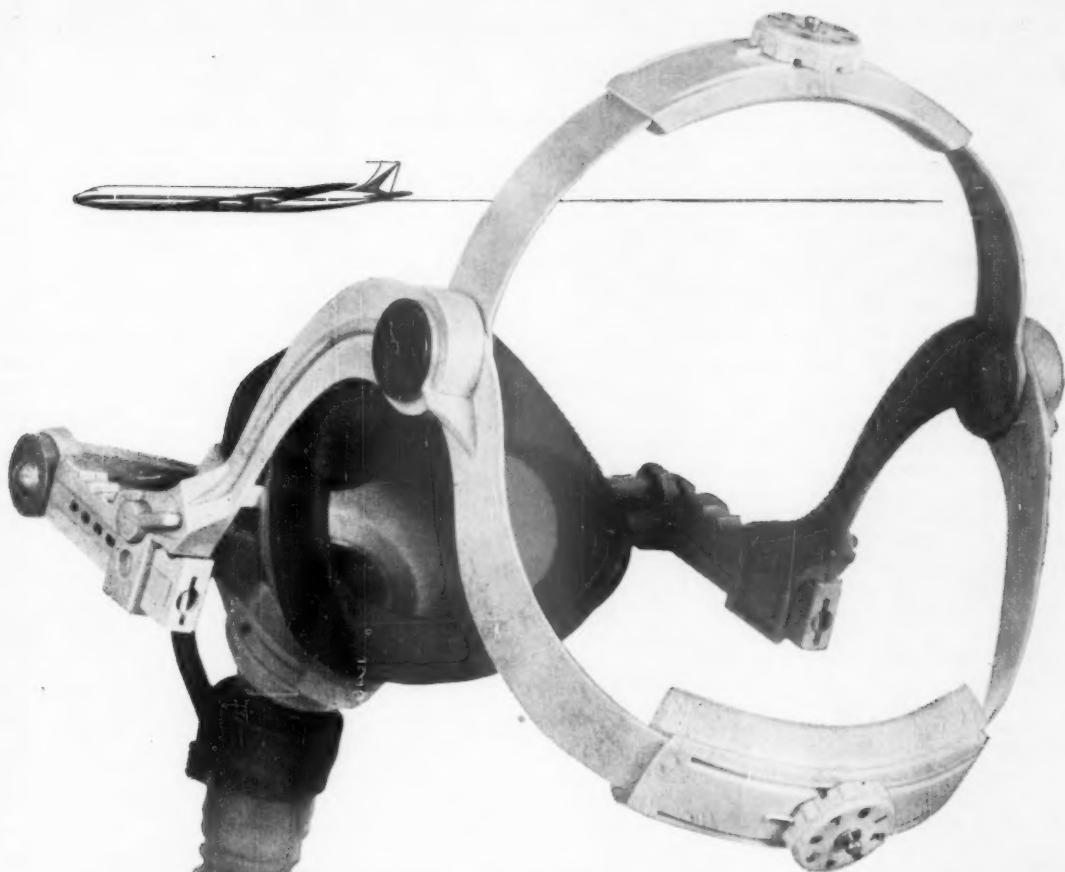
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BETTER THINGS FOR BETTER LIVING...THROUGH CHEMISTRY

POLYCHEMICALS DEPARTMENT

## *...Marshall believes his modern plant is coming on stream just in time to catch the new flood of data processing business . . .*

(STORY on page 86)

systems aggressively, and the results show it. In 1950, private wire revenues brought in \$8-million, or about 5% of Western Union's message business. In 1959, private wires sang a \$52.3-million tune on the cash register. It won't be long, Marshall believes, before the revenues from private wires top those from public message services.

• **Meeting the Competition**—Until recently, however, Western Union could not compete directly with AT&T's TWX network, which offers direct customer-to-customer teleprinter connection through a central exchange system similar to a telephone network. Several years ago, FCC gave Western Union permission to purchase TWX from AT&T, but the price was too high. Now, Western Union is expanding a roughly similar system called Telex that will offer direct customer-to-customer dialing.

Besides direct dialing, the biggest difference between Telex and TWX is the method of billing customers. Telex customers are charged only for the time that the facilities are in use plus a 50¢ connection charge. A short order to a New York broker from, say, Chicago via Telex might be subject only to a 10-second time charge, compared with a three-minute basic charge on TWX.

• **Growing Network**—At present, Telex service is available only between New York, Chicago, Los Angeles, and San Francisco. But before yearend, 19 more cities will be added. In 1961, it will cover 23 more cities, and management hopes to get approval from the board of directors to cover 128 cities by 1962.

### **III. Building For the Future**

Western Union has great hopes that Telex will increase its revenue load many fold. Even so, it's hard to imagine that such business will fill all the extra traffic capacity that Western Union's new microwave system provides. And so, once again, Pres. Marshall is counting on electronics technology to help him out. Three out of every four systems that Western Union is now installing for customers include provision for handling data processing information. Communication between computers, or tape-to-tape digital messages between dispersed plants, offices, and data processing centers may eventually equal the volume of voice and message communication. AT&T Pres. Frederick R. Kappel, too, thinks that's possible.

• **Expandable System**—So Marshall be-

lieves his modern plant is coming on stream just in time to catch the new flood of data processing business. The transcontinental microwave network's two 6-million cycle channels each are capable of handling transcontinental telecasts, or thousands of telegraphic, voice, and data processing channels. The system is designed to carry up to seven broad-band channels, and these will be added as needed.

The Transcontinental network, with extension legs, will cost \$56-million, but once the microwave relay towers are in place, the system's capacity can be doubled for about 15% to 20% of this cost. Eventually, Western Union will have a great loop of microwave routes that will interconnect North and South as well as East and West. The full system may cost \$250-million between now and 1970.

• **Government Contracts**—Part of the load the new microwave system will carry is already under contract. The U.S. Air Force hired Western Union to build an automatic system of data and message handling that will interconnect all domestic Air Force bases. The combat and logistics network (COMLOG-NET) also costs, coincidentally, \$56-million and will be operated by Air Force personnel. Western Union also built for the Air Force an international automatic switching telegraph network, which was completed last May, and has put in a high-speed weather map facsimile system for the Strategic Air Command. In addition, it built a nationwide weather map facsimile system for the Weather Bureau that serves several hundred points.

To work out new communications applications to keep its microwave system busy, Western Union has enlarged its engineering and research departments. The company is now spending about \$6-million a year on research and development—more than ever before in its history. Of course, Bell Laboratories spends a lot more. But Marshall has some pretty definite ideas on how to get the most mileage out of research expenditures.

"One problem," he admits, "is getting the right kind of people that can really come through with innovations, and I'm not at all sure it is possible to hire this kind of person off the street, even if you have the most wonderful facilities in the world. Some people just don't like to work for big organizations."

• **Research Interests**—To tap that kind of talent, Western Union has purchased

large interests in a number of small companies that offer intriguing technological or manufacturing competence:

- **Microwave Associates, Inc.**, a leading developer of microwave elements such as waveguides, tubes, and semiconductor elements.

- **Technical Operations, Inc.**, a Boston company engaged in contract research for the government and industry in computing, physics, mechanical engineering and electronics.

- **Dynametrics Corp.**, another Boston company, which produces electronic measuring equipment that possibly could be related to future production control systems. Such systems might fit into an integrated data processing system built around a Western Union network.

- **Hermes Electronics Co.**, a producer of crystal filters for microwave uses and designer of part of the telemetering system for the Titan missile. Hermes also has done a lot of work on computer translators that change binary code to decimal readouts.

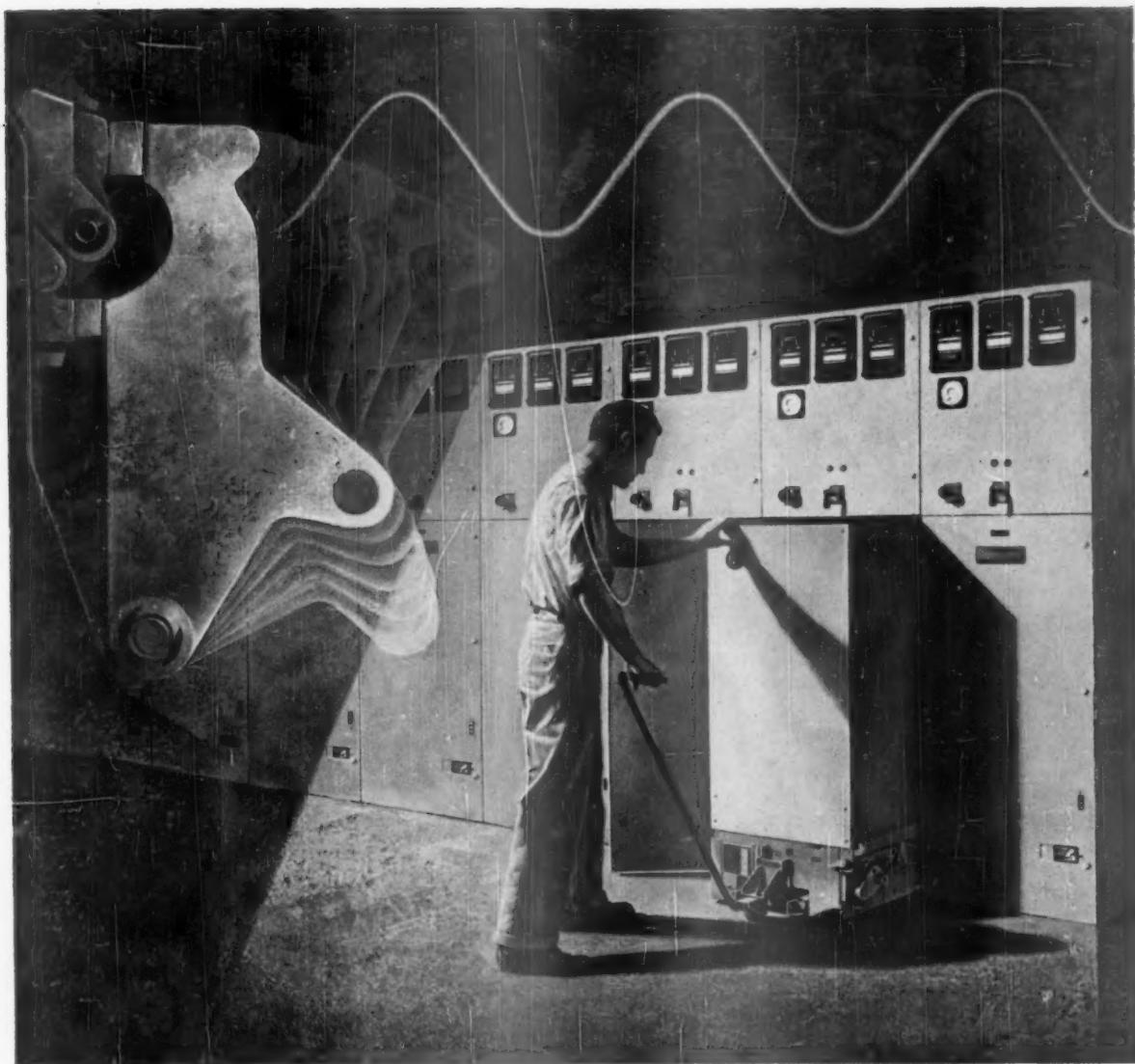
- **Gray Mfg. Co.**, Hartford, manufacturer of switchboards, dictating machines, and electronic gear.

- **Teleprinter Corp.**, which has developed the smallest page teleprinter on the market.

These six companies dovetail so well as a combined research, engineering, and manufacturing operation that there are incessant rumors that Western Union intends to meld them into one big outfit. Marshall denies such an intent, disputes the logic of such a move on the ground that the talent attracted by these companies comes from their small size and independence. Actually, Western Union benefits substantially from the present arrangement. As part owner, it can use the services of the individual companies and also coordinate their activities to some degree.

In addition to these six companies, Western Union also has invested in Teleprompter Corp. But this company falls into a different category. Teleprompter is not a manufacturer of communications equipment. It custom-designs office communication centers, assembling equipment made by others and mounting it on its own furniture. But Teleprompter's work in closed-circuit and pay TV and in other fields jibes with Western Union's interests.

- **Dynamic Outlook**—These new interests and Western Union's own research efforts all point to a greatly expanded future for the company. Although it still has some problems to solve, the company is in vastly better shape than it was 10 years ago. Instead of sitting back and being outdated by new technology, Western Union very definitely is counting on the latest electronic wizardry to win a bigger piece of the communications market for itself. **END**



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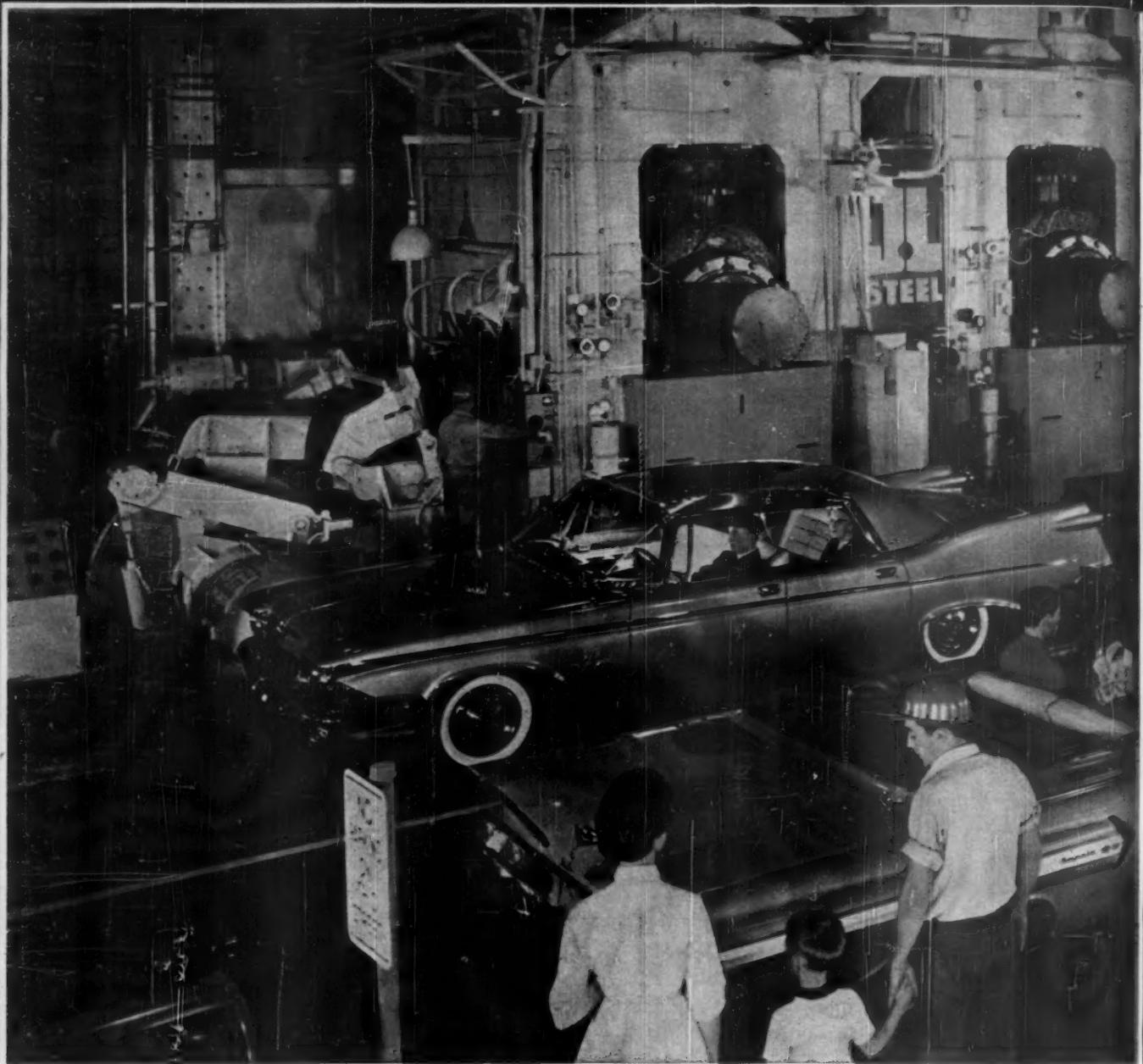
strive constantly to give users of electricity the finest equipment that can be devised. It's the reason that over the years progress in electricity has so often been led by I-T-E.

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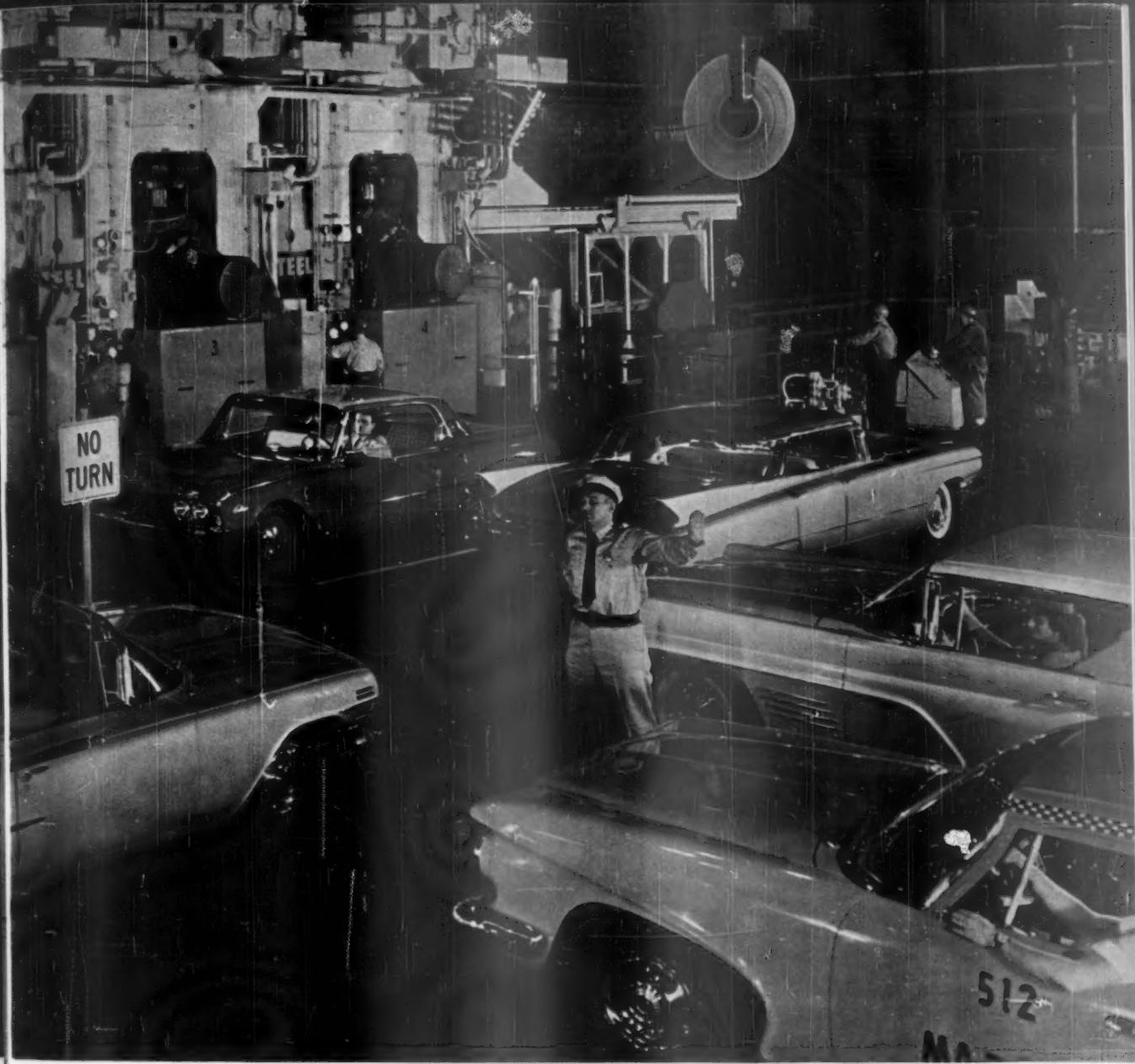
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# INTERNATIONAL OUTLOOK

BUSINESS WEEK  
AUG. 27, 1960



Three new trends are shaping up in U. S. foreign policy. They are being forced on Washington by the march of world events, despite the fact that a lame-duck Administration traditionally does not make major policy innovations.

• The U.S. will rely increasingly on international organizations to run political interference for its programs in politically inflammable areas of the world. Note the reliance on the Organization of American States to contain Castro diplomatically, on either the U.N.'s Economic & Social Council or a new organization to coordinate hemisphere economic policies and U.S. aid programs, on the U.N. to bring order to the Congo (page 34).

The State Dept.'s reasoning: Not only are international organizations often politically more acceptable as donors and advisers but—as in the Congo—they are also the best hope for neutralizing possibly dangerous direct clashes of interest between the big powers.

• Washington is putting new emphasis on social reform in its aid programs. Clearest example is the new \$500-million program for Latin America (page 103), which will stress housing, land reform, education. Aid programs in Asia and Africa will reflect the changed emphasis. State has decided the U.S. no longer can rely on a trickle-down process in foreign development to meet revolutionary pressures such as those that burst in Cuba. The U.S. must identify its aid as closely as possible with the needs of ordinary people—even if this means leaning hard against local governments, and possibly some overseas U.S. business interests, to speed needed reforms.

More forthright backing for democratic forces in other countries will come from Washington—even at the risk of charges of meddling in internal politics and possibly antagonizing special interest groups in the U. S. in some cases. U. S. leadership at the OAS meeting in San Jose for diplomatic and economic sanctions against Dominican dictator Trujillo, backed up fast by Eisenhower's move to slash Dominican sugar imports, highlights the trend. Although some congressmen reacted strongly against State's treatment of the Dominican Republic, Washington will play each situation by ear, mindful of the danger of weakening resistance to Communism.

The thinking behind this shift in emphasis is that, in many parts of the world, U. S. policy needs more ideological backbone as well as more economic muscle to compete with the many-sided Communist appeal.

Congress, so far, is backing up the new approach on aid. The Senate this week, by a big majority, approved the new Latin American aid program—and endorsed its stress on social reform. The Senate committee also gave Eisenhower almost all he wanted in the regular foreign aid bill. It approved a total of almost \$4-billion, minus House-imposed restrictions; it sustained only a small cut in military aid. The House will try to shave that a little, but the Administration is assured of having more aid funds available than it has had in years.

— • —

Hopes for any real moves toward disarmament are at the lowest ebb in years.

The key to the disarmament deadlock is the nuclear test ban talks, which

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUG. 27, 1960

just recessed. Washington and London are doubtful that any progress will be made when they resume next month. Moscow has made it plain it won't negotiate seriously with the Eisenhower Administration on nuclear testing, arms control, or anything else.

**There is some speculation that Khrushchev might agree to a test ban as a peace offering to the new Administration. Presumably, he is as anxious as the West to halt the spread of nuclear weapons—particularly to his headstrong ally, Communist China.**

Meantime, disarmament is shaping up as the hottest item on the agenda of the upcoming U.N. General Assembly meeting. Khrushchev has hinted that he may come to New York to state the Soviet position himself. If he does, he will probably try to top his spectacular proposal for complete disarmament in four years. **But the West is in no mood to buy sweeping schemes without iron-clad controls.**

—•—

**In the Congo (page 34), talk of civil war is mounting.**

**Groups opposed to Premier Lumumba's central government met this week in Elizabethville, the capital of secessionist Katanga Province, presumably to assess their strength and to coordinate policies.**

**Most important of the dissidents is Katanga's Premier Moise Tshombe, who is strengthening his military forces and may manage to disassociate himself from embarrassingly close identification with Belgian interests.**

**Meeting with Tshombe were representatives of the Association of the Lower Congo, which is growing restive under Lumumba's dictatorial rule despite the fact that its leader—Congolese Pres. Kasavubu—is apparently submissive to the premier.**

**Also at Elizabethville were officials of the self-proclaimed "Independent Mining State" in Kasai Province. Lumumba at midweek dispatched a force of Congolese soldiers to Kasai Province to check any armed uprisings.**

**Meantime, there was some dissension in Leopoldville, Lumumba's own capital. The Congolese Senate voted overwhelmingly to demand the immediate release of a member jailed by Lumumba's police on political charges. It was reported that the Senate's president, Joseph Ileo, is emerging as a rallying point for moderate opinion.**

—•—

**France's fledgling African Community, largely the handiwork of Pres. de Gaulle's Fifth Republic, is being rocked by its first political crisis: the sudden break up of the two-nation (Senegal and French Sudan) Mali Federation.**

**The crisis is a blow to de Gaulle. He backed the two-nation pact against the advice of French African leaders. And the split threatens to weaken the 12-nation French African Community.**

**De Gaulle's main problem now is to keep the Mali crisis from becoming an international fiasco. Like the Lumumba-Tshombe power struggle in the Congo, the Mali blowup stems from political rivalry between African leaders over who controls the new nation. Sudanese leaders—whose country is arid, landlocked, and poor—want to dominate Senegalese leadership, whose land is fairly rich by African standards. Senegal's seaports of Dakar and St. Louis are among the busiest in West Africa.**



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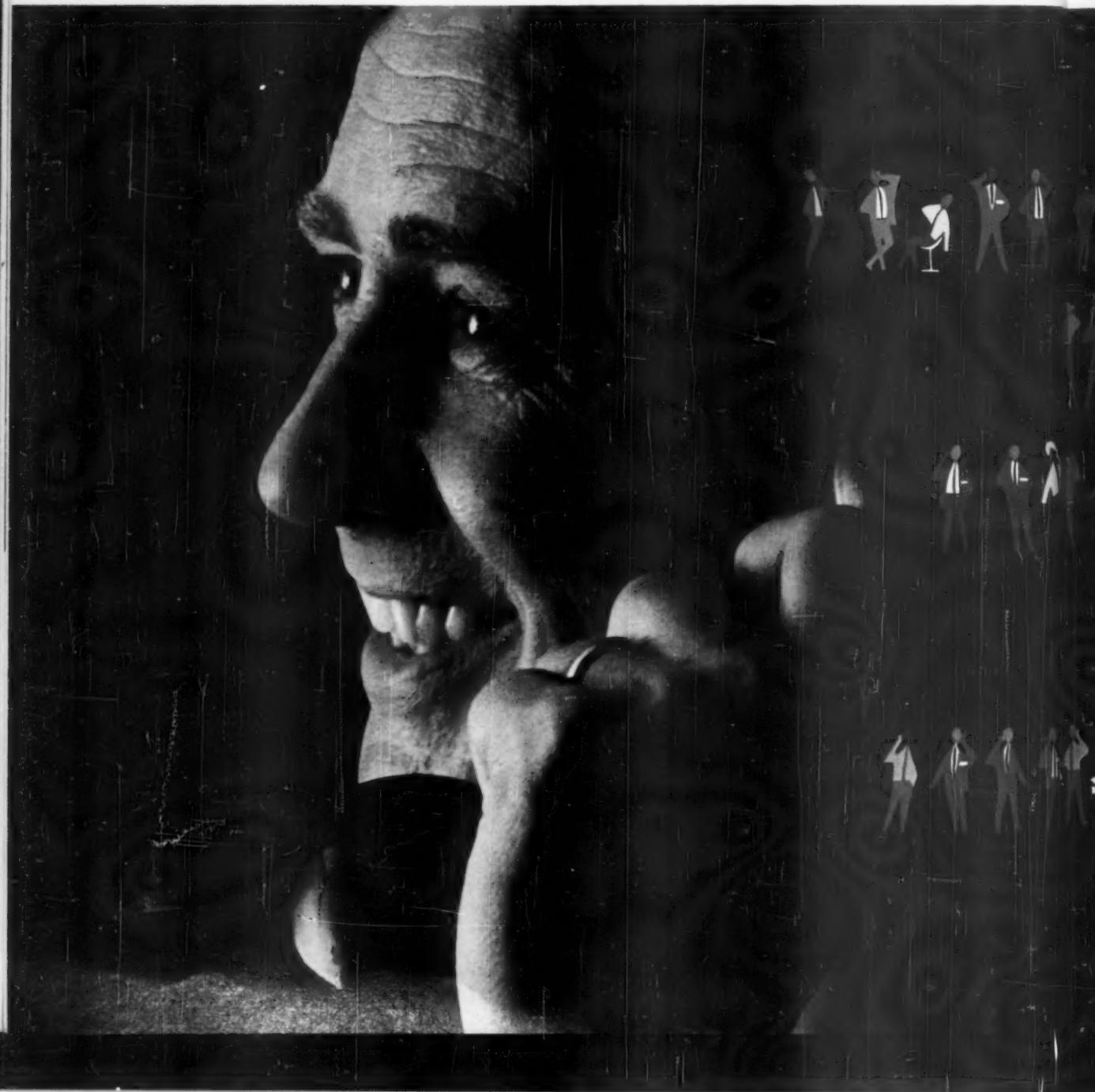
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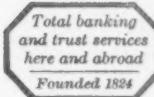


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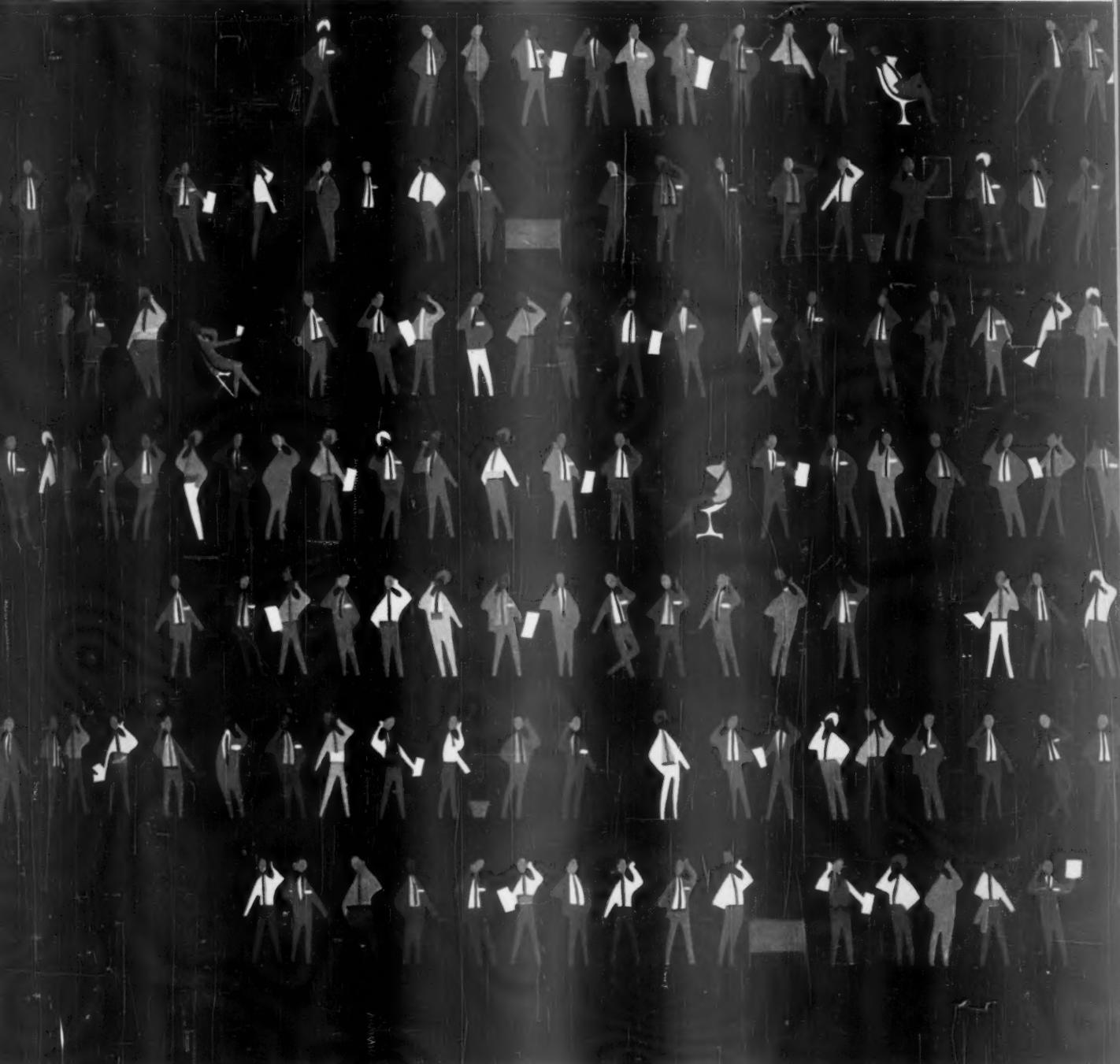
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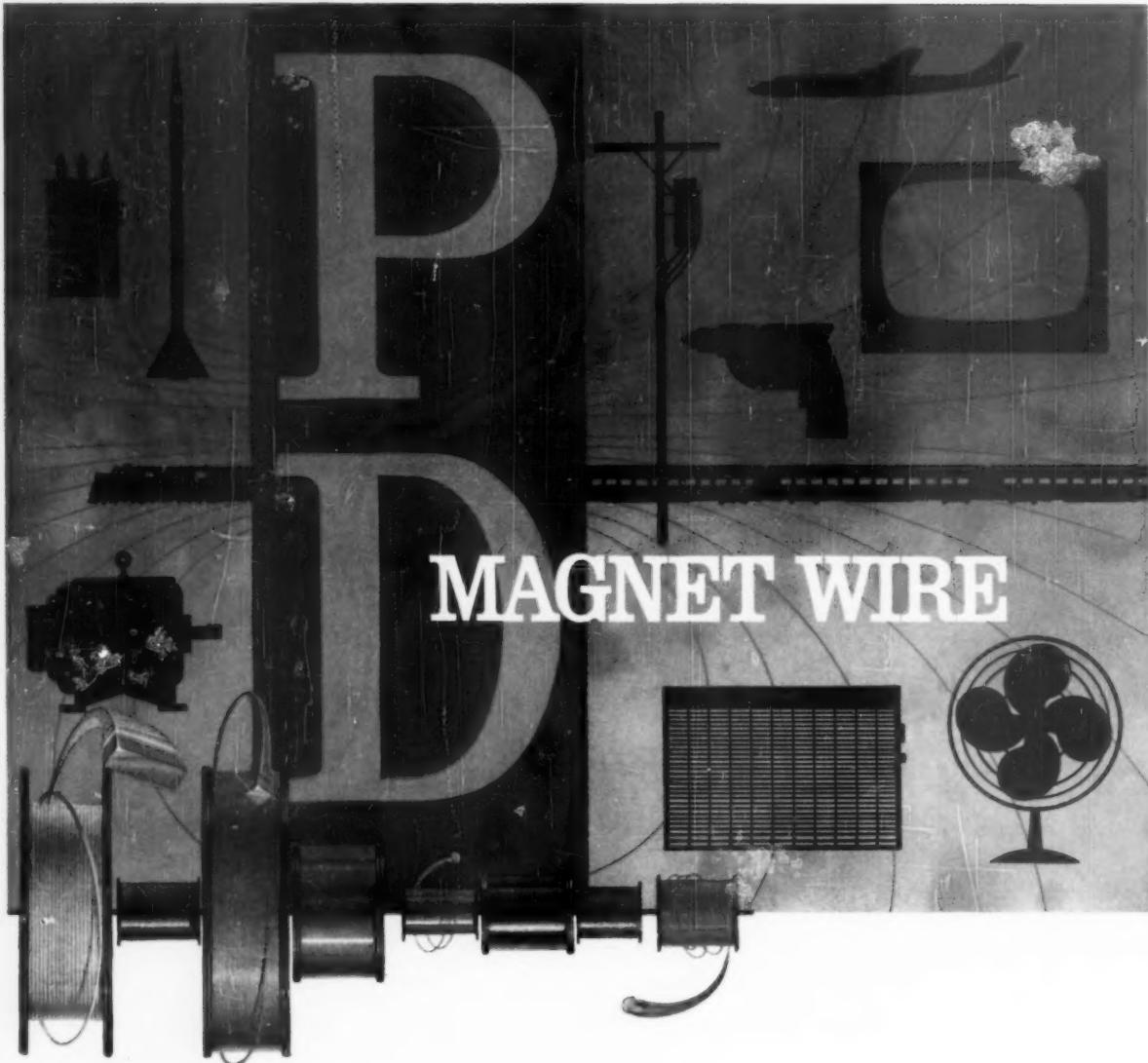
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## BUSINESS ABROAD

# U. S. Tries Out New Latin Policy

**Stand on Trujillo at OAS supports new line as Latins' partner; battle with Cuba will test Latin backing.**

The U.S. and Cuba joined in diplomatic battle this week before the very audience each wants to win over—the nations of Latin America, whose foreign ministers had gathered in San Jose, Costa Rica, for a meeting of the Organization of American States.

The methods of attack were clear: Communist-leaning Cuba was portraying the U.S. as a threat to Latin countries, and the U.S. was leveling similar charges at Havana.

• **New Policy**—The U.S., however, was going much further than that in its bid to build relations with its Latin neighbors. In Washington, the State Dept. was developing a more generous and liberal U.S. policy toward Latin America. In San Jose, Secy. of State Herter was talking it up.

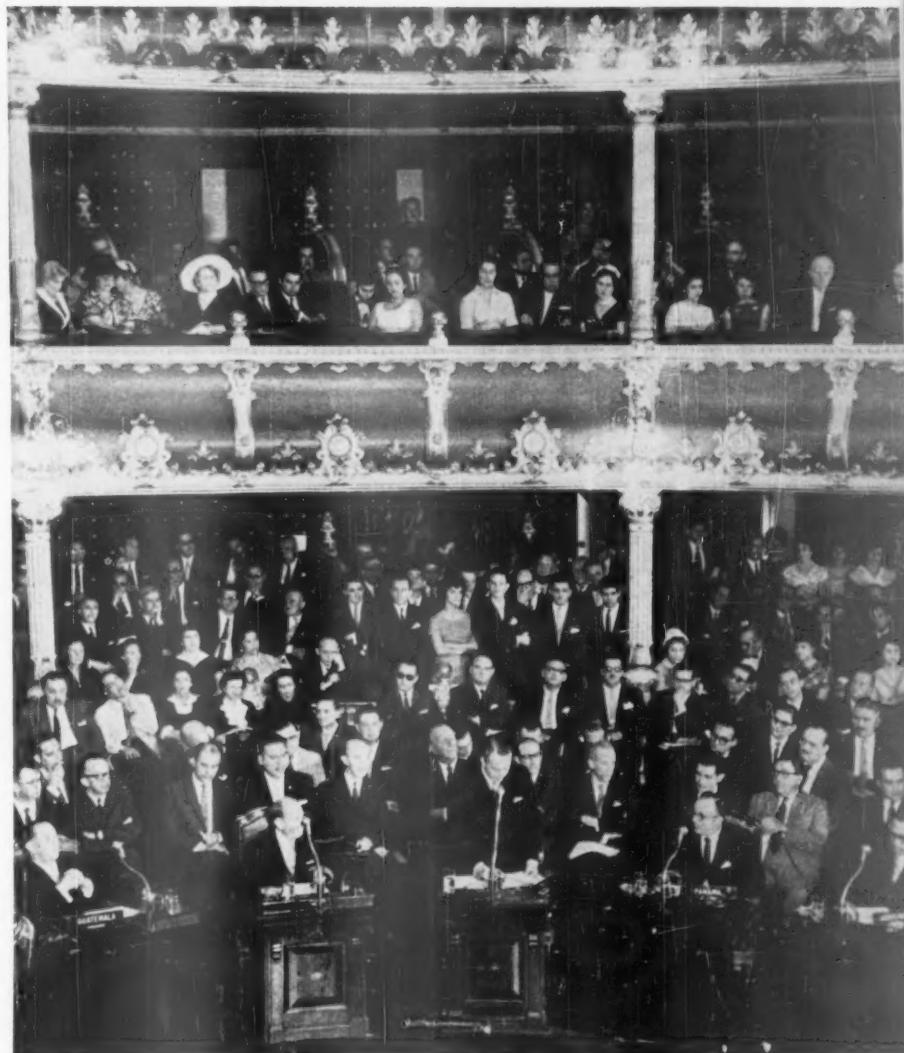
Partially to reconstruct its image as a hemispheric partner in Latin America—a step that's necessary to get the most out of its new policy—the U.S. took a leading role in the attack early in the OAS meeting on the Dominican dictatorship of Rafael Trujillo. Herter's call for free elections in the Dominican Republic and his leadership in drafting resolutions for sanctions against Trujillo's regime were a happy surprise to Latin American delegates.

At the extreme, OAS actions could lead to an early overthrow of Trujillo's regime. At the least, the actions were a solid indication that from now on the U.S. will not hesitate, as it has in the past, to throw its weight against undemocratic ruling cliques, whether military or based on wealth, throughout the hemisphere.

Another U.S. bid for Latin favor was the Administration's request to Congress this week for authority to clamp down on additional sugar imports from the Dominican Republic this year, with the prospect of banning such imports in the future.

• **Aim on Cuba**—OAS handling of the Cuban situation will probably be less clearcut. For one thing, the social revolution that put Castro in power has sympathetic appeal throughout Latin America.

So the U.S. is trying to prove, with documents, that Castro and his leaders have betrayed the real goals of the original 26th of July movement and have sold out to international Communism. In this way, Herter hopes in some



ARENA for U.S.-Cuban diplomatic fight for Latin American support is meeting of foreign ministers of members of the Organization of American States in San Jose, Costa Rica.

degree to isolate Cuba from the rest of Latin America, at least diplomatically. The U.S. will also press for some kind of OAS watchdog group to provide a United Nations-like presence and influence in the Caribbean.

The final upshot probably will be an OAS stand against outside interference in hemisphere affairs—meaning, of course, Soviet meddling in Cuba.

• **Latin Views**—Reports from San Jose this week indicate that many Latin American delegates sincerely fear the spread of Communist influence in their own countries. Thus, they may back somewhat stronger denunciation of Communism in Cuba, and possibly of

Castro himself, than seemed possible when the meeting opened.

The foreign ministers of Mexico, Brazil, Colombia, Venezuela, and Peru all took the floor Tuesday to warn Cuba to keep its revolution a do-it-yourself affair, and to denounce Red Chinese and Soviet influence. Mexico's Manuel Tello pointedly reminded the meeting that his country devised its "revolution and constitution alone—absolutely alone."

Colombia's rising young diplomat, Julio Cesar Turbay Ayala, who is chairman of the session on Cuba, urged Cuban Foreign Minister Raul Roa to "correct" a Castro speech that called

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. . . governments in Panama, Nicaragua, Paraguay, and even Guatemala fall short of some Latin Americans' definition of democratic rule . . .

(STORY on page 103)

for exporting Cuba's revolution to the rest of Latin America. The Colombian spokesman urged another try at negotiating Cuba's differences with the U.S.

Herter, too, supported a call for further negotiation of the U.S.-Cuban dispute. But in Havana at midweek, Castro threw more cold water on the OAS, and indicated he would choose his international friends as he pleased.

• **Spur to Aid Program**—The cornerstone of the new U.S. policy toward Latin America—the proposed \$500-million U.S. aid program—is, of course, directly connected with the Communist threat. Ironically, Cuba is taking indirect credit for the plan. Fidel Castro, talking with Latin American diplomats recently, called it "my gift to you."

U.S. officials ruefully concede that, had it not been for the extremism of Castro's anti-U.S., anti-private enterprise, and pro-Communist policies, Washington would not be moving so fast in the direction of an entirely new political, social, and economic approach to relations with Latin America.

• **Main Features**—Staff workers are still arguing out behind closed doors the details of the U.S. program. Much of the procedure will have to be left for the next Administration. But in broad outline, these are the main points in the new U.S. approach to economic relations with Latin America:

- Establishment, under the OAS, of an economic policymaking and consultative body roughly equivalent to the planned Organization of Economic Cooperation and Development (OECD) for Europe.

- Under this group's wing will come both the program of aid for projects in such fields as land reform, housing and education, sanitation and public health, and—eventually—for broad industrialization projects involving power, transportation, agricultural, and basic mining and manufacturing development.

- This planning commission will oversee the administration of U.S. aid, through the infant Inter-American Development Bank (IDB), the State Dept.'s Development Loan Fund (DLF), International Cooperation Administration (ICA) technical assistance and grants, and Export-Import Bank loans to buy U.S. exports.

- There will be broader study and negotiation of U.S. import policies and Latin American commodity stabilization schemes. As one example, this

would mean the U.S. would not raise lead-zinc tariffs as proposed in Congress.

• The U.S. will undertake technical, and possibly even financial, aid to emerging Latin American regional trading setups. These include a common market and joint industrialization program for Central America, and a farther-off plan for a South American customs union.

More details will be spelled out at the forthcoming OAS Economic & Social Council meeting at Bogota, Colombia, next month.

• **Broadening the Benefits**—The objective of all this is to make U.S. aid, trade, and private investment more effective, and to insure that these benefit the general public rather than merely turn a profit for well-to-do business groups on both sides of the border.

One aim of the new policy is to help "democratize" Latin American governments. This is obviously a difficult and extremely touchy goal. For example, governments in Panama, Nicaragua, Paraguay, and even Guatemala fall short of some Latin Americans' definition of democratic rule.

Naturally, Washington must avoid anything that even smacks of direct influence in local politics. This razor's edge is typified by the fact that the very OAS Rio de Janeiro Treaty provision that was used at San Jose to invoke economic sanctions against Trujillo could also be cited as grounds for joint retaliation against U.S. cuts in the Cuban sugar quota.

Just as delicate is the problem of shoring up declining U.S. private investment and trade in Latin America without offending businessmen on either side of the border. One proposed solution is to emphasize private subcontracting in government aid projects, such as was done in housing development in Puerto Rico. This approach was applied recently in a U.S. loan to Peru.

• **Brightest Sign**—Perhaps the brightest sign to come out of San Jose this week is a widely held feeling among the delegates that the extreme seriousness of the problems being dealt with there and elsewhere, now and later, will force the U.S. and Latin American nations to mend their relations.

Costa Rica's former foreign minister and ambassador to the U.S., Mario Esquivel, summed it up: "I am an optimist now, after this tough meeting, because I am a fatalist—if we don't stand together now, we are lost." END

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This service consists of illustrated brochures of homes that are available in over 300 metropolitan areas across the nation. These brochures, prepared by a nationwide home marketing service, give a "preview" of what's available . . . help your employee get the "feel" of the real estate market in the new community . . . help him pre-select certain homes that meet his basic requirements.

How many times has your company had to pay for numerous expensive trips of a transferred employee (and, sometimes, his entire family) in order that he might

find a home in his new location? How much did you spend last year for hotel and other expenses incurred by relocated employees? Management people know that transferring a man is certainly less expensive than hiring and training a replacement. Still there can be high costs involved in transferring a man . . . loss of time while the man and his family are getting settled, and, if the move is not properly handled, the productivity of the man is affected. In some cases, you may even lose a key man if the move goes badly.

This is why North American is offering this unique new House-Hunting Service through the more than 1,100 local North American Van Lines agents. Here's how you can take advantage of this service without cost or obligation—simply phone your local North American agent and ask him to bring you the folder explaining all the details (if you prefer, he will be glad to work directly with your employee). The folder contains a request card on which the transferred employee can list his basic

housing requirements—city and preferred location, number of rooms, price range, type home, etc.

The request card is then mailed to a nationwide home marketing service with franchised real estate brokers located in over 300 metropolitan areas. Promptly, you or your employee will receive illustrated brochures containing photos and facts of available homes, with exterior and interior views of the home, along with a complete property description—number and size of rooms; construction details; type heating system; lot size; price; etc. Psychological features are also given—the availability of schools, churches, shopping centers, public transportation, etc.

This new House-Hunting Service is only part of North American's complete, all-the-way moving service that will help your transferred employee get back on the job quicker. For the complete story about North American's "Gentle Care" packing, moving, storing of household goods, call your local agent or write directly to our world headquarters in Fort Wayne.

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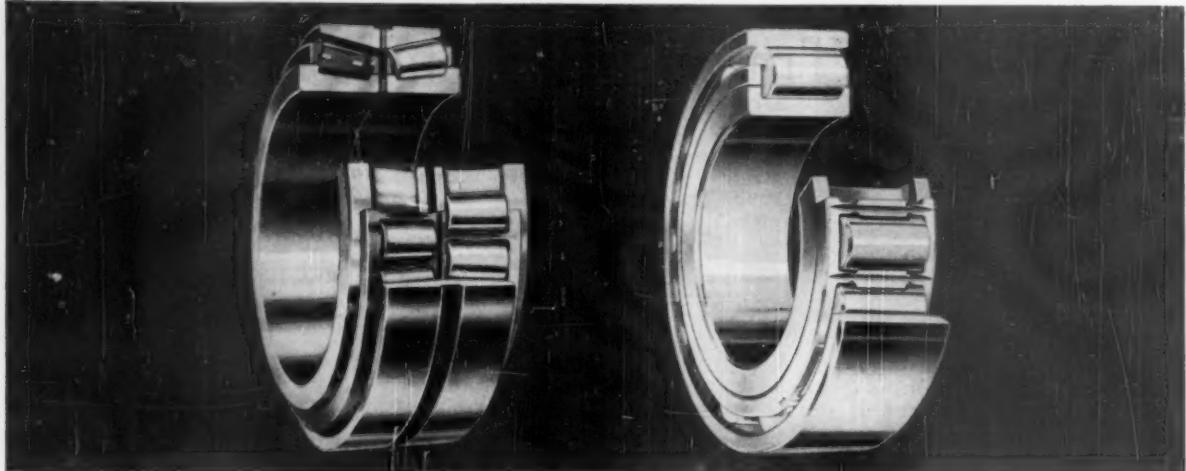
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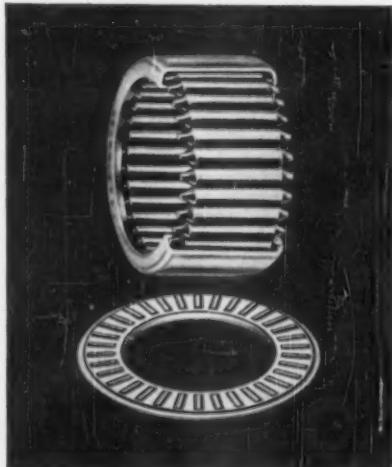
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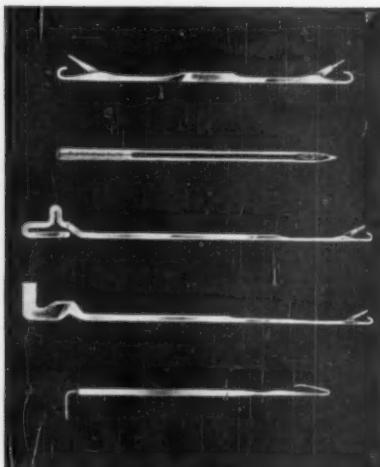
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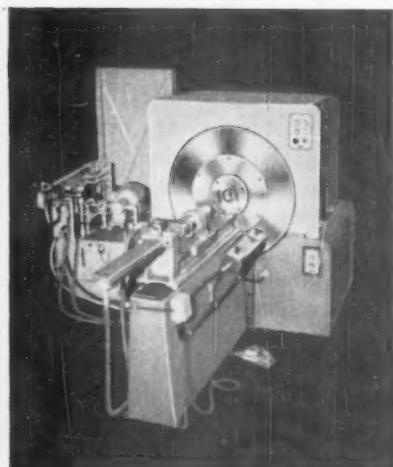
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# In Business Abroad

## Soviets Out to Sell Planes

### To Non-Communist Countries

The Soviet Union is stepping up efforts to sell commercial aircraft outside the Communist bloc. The aircraft being pushed are the Illyushin-18 turbo-prop passenger liner and the MI-4 helicopter.

This month, the Soviet trading organization Avtoexport, which usually handles exports of motor vehicles and agricultural machinery, staged an aircraft demonstration in Moscow for representatives of 23 foreign embassies. The Il-18 and MI-4 were featured.

The Russians say MI-4 helicopters have been sold to 17 countries—including Austria, Iraq, Indonesia, and Afghanistan. Ghana has purchased an Il-18. And English-language advertisements offering Soviet aircraft for sale are appearing in the Soviet foreign trade journal *Vneshnyaya Torgovlya*.

## Greek Ships Return to Native Flag

### After Threat of Union Boycott

Under pressure from maritime and longshoremen's unions at home and abroad, Greek-owned shipping—which ranks third after the U.S. and Britain—is returning to the Greek flag. Until recently, almost all Greek-owned ships sailed under Liberian, Panamanian, and other "flags of convenience" that offered a tax-break and cheap labor.

Greek owners began transferring registration of their ships in 1958 after Greek unions threatened—with blessings from unions around the world—to boycott "flag of convenience" ships. Today, shipping under the Greek flag amounts to 5.3-million gross tons, about five times the 1958 figure. There are still more than 7-million tons under other flags, but the figure is expected to dwindle.

Owners ignored government tax inducements in 1954 because they did not offset the cost under the Greek flag of higher wages, crew insurance, and more expensive provisioning for the crew.

## Japanese Businessmen Hope to Promote Trade With Russia Through Exhibition

Through their industrial exhibition in Moscow Japanese businessmen are trying to win orders for machinery that the Russians have been buying from companies in the U.S., Britain, and on the Continent.

At the same time, Soviet officials are telling the Japanese that Russia would buy more from Japan if Tokyo would loosen ties with the U.S.

Dominating the Japanese exhibition are displays of machinery and equipment for the textile, chemical, mining, and machine tool industries, as well as optical and

electronic instruments—which hardly show up at all in Japan's present, modest trade with Moscow. Japan sells Russia rolled steel, fiber, ships; it buys coal, petroleum, timber, and cotton fiber.

Deputy Premier Mikoyan told 600 Japanese visitors at the beginning of the exhibition that "certain circles" in Japan obstructed trade by tying Japan to the U.S. with a military treaty. Soviet officials and publications have been hammering on the same theme.

Japanese Foreign Trade Minister Mitsuiro Ishii has answered the Russians with a defense of Japanese relations with the U.S. He also said Japan hopes to promote trade with the U.S.S.R.

More than 340 Japanese corporations, including some of Japan's largest, are represented in Moscow at the largest trade fair their government has sponsored outside its home islands. The exhibition, in buildings constructed for the American Exhibition at Sokolniki Park last year, will close next month.

## To Head Study of Payments Problem

### And Its Effect on Government Policy

The National Bureau of Economic Research has just launched its first major program in the field of international economics. The focus of the new program will be on the U.S. balance of payments problem and its implications for government policy at home and abroad. Special attention will be paid to the relationship between the payments problem and "our ability to achieve a higher rate of economic growth."

Hal B. Lary (picture) is to head the bureau's new program, with the title of Associate Director of Research. Lary comes to the bureau from the President's Council of Economic Advisors, where he was senior international economist. From 1949 to 1957, he was in Geneva directing research for the U.N.'s Economic Commission for Europe. Prior to that, Lary worked with the Export-Import Bank in Washington and with the International Economics Div. of the Commerce Dept.



## Business Abroad Briefs

Communist China's "Big Leap Forward" in industrial production fell short of its goal during the first half of 1960. Official Peking sources disclosed that output of steel, coal, and pig iron was 20% behind schedule.

Cuba continues to take over U.S. business assets. Last week, it "intervened" the Cuban subsidiary of Lone Star Cement Co. of New York. Replacement value was estimated at \$27-million.



AFL-CIO CHIEFS Meany and Reuther led Chicago conclave of labor leaders that set up a new \$500,000 political wing to see union members registered—preferably to vote for Kennedy-Johnson.

## Unions Enter Political Arena

**Seeing a close election in November, AFL-CIO decides to get off the political fence early and plump for the Democrats.**

Last week the members of the AFL-CIO Executive Council met in Chicago for their annual midsummer strategy conference—and once and for all ended their traditional reluctance to take an open stand politically. They plunged in on the Democratic side with both feet and left only the formality of a Kennedy-Johnson endorsement for a meeting of AFL-CIO union presidents in Washington this week. Though endorsing Presidential candidates in previous elections, the unions this time have committed themselves to Kennedy with unprecedented firmness.

Ever since 1947 and the passage of the Taft-Hartley law, union leaders have increasingly looked on politics as their business. Up to that time, though the old CIO was active, notably through Sidney Hillman, the bigger AFL had yet to take a hand in the political arena. When T-H became law over their loud protests, both organizations decided that politics had

become a subject of important self-interest.

Even with these decisions, and the merger of the AFL-CIO in 1955, labor's political action has not always been whole-hearted. Among the top officers of the federation, there have been words of caution that unions should not become too identified with politics and particularly with one political party.

• **Getting Out the Vote**—Last week's decision to throw political caution to the winds and back the Democrats openly was a practical one. The union leaders suspect that the coming election will be fairly close, and they feel that they must be loud and clear as to their preferences. They also believe that union political strength has been weakened in the past by higher-than-average voter indifference, and that their biggest job will be to get the voter to the polls.

As a consequence, the council set up

a brand-new political section designed solely to see that union members are registered to vote. To promote this the AFL-CIO is raising \$500,000—one-third of the normal budget of its political wing, Committee on Political Education, as an indication that it means business.

• **Issues**—Throughout the three-day session, politics was topic number one, though AFL-CIO Pres. George Meany sought to keep it from dominating the proceedings. Since this was one of only four meetings a year at which the council decides policy and organizes programs, a number of other issues were handled.

During the three-day session, the 29-member council acted to:

- Set up an advisory investment program to channel billion-dollar welfare and pension funds into the mortgage market, with a particular eye to investing in Federal Housing Administration mortgages.

- Renew pressure on the short Congressional session by demanding action on five legislative goals—minimum wage, medical care for the aged, con-



ECONOMICS. Welfare fund investment program was devised by staff, attorney Tom Harris, economist Stanley Ruttenberg.



POLITICS. Voter registration is new job for AFL-CIO Joseph Keenan, IBEW, and George Harrison, Railway Clerks.

## With Drive to Get Out the Vote

struction site picketing, aid to education, and housing.

• Tone down interunion jurisdictional rivalries in two key cases by (1) securing an agreement from the Upholsterers' Union and the Furniture Workers to send their 23-year-old feud to arbitration, and (2) promising mediation in a bitter fight between the Flight Engineers and the Air-Line Pilots.

• Mortgage Rates—The council's decision to put the AFL-CIO into the lending business came after an extensive report on mortgage discount rates by its staff economists. The survey uncovered what was described as "excessive discount practices" on FHA loans that raise mortgages well beyond the government interest rates.

Making available the "billions of dollars" in union welfare and pension funds, the council claimed, would "enable the prospective home buyer to obtain his mortgage at a reasonable cost without being penalized by high discounts." The AFL-CIO, which has no welfare funds itself, will serve as investment adviser to its affiliated unions through a special investment depart-

ment set up at the federation's headquarters.

• Legislative Prospects—As for legislation, the union officials are not counting on their last-minute pitch for their five-point program having too much effect on Congress. Two months ago, when the late Congress session was worked out, Meany and Reuther decided to delay endorsement of the Democratic ticket, which had been scheduled to come during last week's meeting in Chicago, until Congress produced the legislation labor wanted. However, the wait-and-see plan was discarded in favor of all-out backing that will officially come this week—no matter what happens on Capitol Hill in the short session.

• An Old Friend—Council members received an old friend, Secy. of Labor James P. Mitchell, whom they personally like but regard as a political enemy. (Union leaders talk to Mitchell on warm, first-name basis, but never quite forgive his Republican affiliation.) Mitchell indicated that this would be the last time he would meet with them as Labor Secretary—implying that he

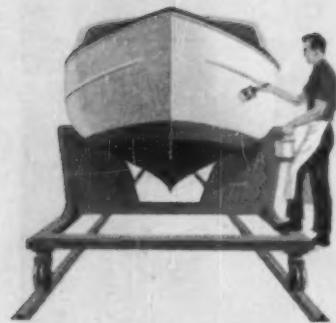
would not be serving under Nixon if he's elected.

When the council issued a statement saying that Pres. Eisenhower "has lent his personal and official encouragement . . . to some elements in Congress seeking to substitute a political circus for serious legislative business," Mitchell promptly issued a countering statement, terming the council's remarks "an unfair and unfounded political attack on the President."

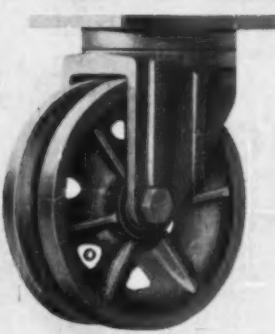
But soon after both statements were released, Mitchell met with the council members and even won some faint public praise from Meany for having "done as well as he could over the years under the circumstances" (in a Republican Administration).

The Labor Secretary took the opportunity to rebuff a remark from Meany about the coming election. Meany said that while the AFL-CIO will endorse political candidates, it does not tell the workers how to vote. Still, he said, three out of four workers will probably vote in their own self-interest—i.e., Democratic.

Mitchell, an ardent supporter of



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LEGISLATIVE, legal, and organizing problems are handled by staff specialists Andrew Biemiller, top lobbyist; Tom Harris, attorney; and Jack Livingston, organizing director.

V.-P. Nixon and one of his earliest backers, disagreed. He pointed out that workers today are better off than ever before, and he predicted that they would vote the Republican ticket this time, as they did previously for Pres. Eisenhower.

• **Nonpartisan Program**—The AFL-CIO voter registration drive, which the usually taciturn Meany volunteered was his own idea, is officially described as nonpartisan. Meany said the idea is simply to round up union members by a variety of means—by telephone drives, literature, citizens committees, and so on—to make sure they are registered.

To finance this venture, the AFL-CIO will collect 5¢ per member from its affiliated unions. This could bring in some \$600,000, but Meany says he expects collections to reach only \$500,000. If there's an operating deficit, AFL-CIO headquarters will make it up.

Because the AFL-CIO considers the registration drive to be nonpartisan rather than favoring a particular candidate, the funds will be paid out, at least in part, from union dues. The Corrupt Practices Act forbids use of dues money to support one candidate or party, though the issue of political spending by unions is still not fully settled and is currently being tested in the Supreme Court.

Meany's definition of nonpartisan was quickly challenged by James L. Donnelly, executive vice-president of the Illinois Manufacturers Assn. "One would be extremely naive," he said, "to assume that the proposed registration effort by labor agents would be objective and nonpartisan."

• **Politiking**—Though the council took no official action in support of a particular candidate, some council members are already actively promoting the

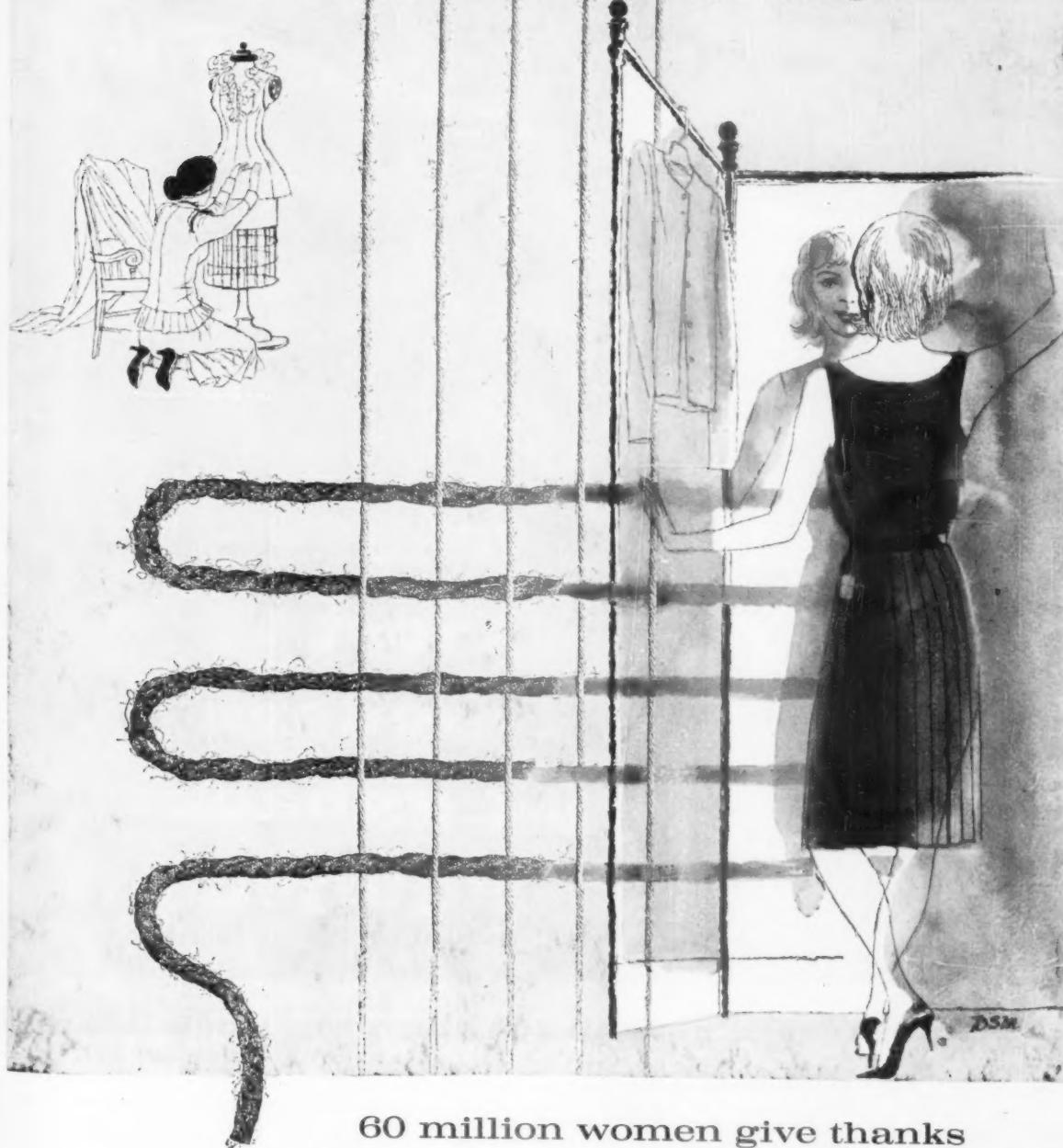
Kennedy-Johnson ticket. United Auto Workers' Pres. Walter Reuther, an AFL-CIO vice-president and a Kennedy supporter, quit the council meeting a day early to go to Washington for a strategy meeting with Kennedy forces. Reuther's brother, Roy, has taken a leave of absence as UAW political action coordinator to promote a voter registration drive from Kennedy's own Washington headquarters.

Two council members were too occupied with problems at home to attend the session. The AFL-CIO's Secretary-Treasurer James B. Carey was busy developing strategy for his International Union of Electrical Workers' current bargaining talks with General Electric. And the United Steelworkers' Pres. David J. McDonald, whose union meets in convention next month, was away preparing for some serious competition for the presidency of the USW.

• **Farm Labor**—Mitchell's farewell appearance before the council coincided with the council's consideration of an issue he and the council members were in complete agreement on—farm labor. The AFL-CIO is currently organizing California agricultural workers, in some cases picketing farms as part of its campaign.

Some farmers have asked the U.S. Employment Service to refer other workers to fill strikers' jobs. But the Labor Dept. has declined because this would be against its policy of refusing to make workers available for jobs "the filling of which is an issue in a labor dispute." Meany reported that the organizing drive, so far, has signed up some 5,000 workers on the "big corporate farms." The council backed the farm membership drive with an additional \$100,000 to go with the \$200,000 it had previously appropriated. END

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# In Labor



## Railroad Employees' Strike Idles 30,000, Affects Production at U.S. Steel Plants

A strike by 1,200 railroad employees of U.S. Steel idled more than 30,000 steelworkers at midweek, with no settlement in sight. The walkout by United Steelworkers at Union Railroad Co.—a U.S. Steel subsidiary—forced the closing of five captive coal mines, coal preparation plants, and production centers. Production was affected at company plants handling 25% of U.S. Steel's capacity, including the nation's biggest coke works at Clairton, Pa. and at the Homestead Works in Pittsburgh (picture).

Negotiations collapsed when the strike began Aug. 17, and so far neither side will give ground. Paul Hilbert, District 15 director of USW, says the strikers won't return to work until they receive the "same contract standards" as steel production workers.

## 550,000 Nonoperating Rail Workers Win 11¢ Increase in Pay, Benefits

The wage pattern for railroad employees rolled along, as expected, last week when 550,000 nonoperating employees received a 4% contract settlement. The contract called for a boost of 5¢ an hour in wages and another 6¢ in fringe benefits. This package is roughly equivalent in cost to the two-installment pay hike granted earlier this year to workers who operate the trains.

The settlement figure was taken from a Presidential emergency board report, which had followed the previous rail agreements in its recommendations. But instead of receiving a second wage boost in the second half of their two-year contract like the operating workers, the nonoperating employees will receive fringe benefits in the second part of their 16-month contract. For the first time, the carriers will pay the full cost of \$4,000 employee life insurance policies.

Neither side sounded happy about the end of the 15-month dispute. For the employees, George E. Leighty, who heads the Railway Labor Executives Assn., said: "For the first time, we were hit by a pattern. The settlement lacks a lot of what we should have...." Theodore Short, chairman of the Western Carriers Conference, said the settlement would cost the railroads \$112-million a year. The carriers hoped to make up part of this cost "by economies."

## Pennsylvania RR Faces Strike Threat By Maintenance Men Over Work Rules

A three-year quarrel over work rules appears likely to shut the Pennsylvania RR up tight on September 1.

Maintenance workers represented by the Transport Workers Union have threatened a strike on that date over a dispute that has already gone through a neutral referee and a Presidential fact-finding board. Stickiest issues are union demands that its members do all repair work on equipment PRR leases from other companies and that the railroad agree not to sell any property if the sale takes maintenance work away from union members.

James P. Newell, PRR vice-president for operations, says a strike would close down the entire thirteen-state system, but that the carrier is covered by strike insurance which will take care of its "unavoidable costs" if the walkout comes off.

## Cincinnati Police Demand Automatic Raises Because Chances for Promotion Are Limited

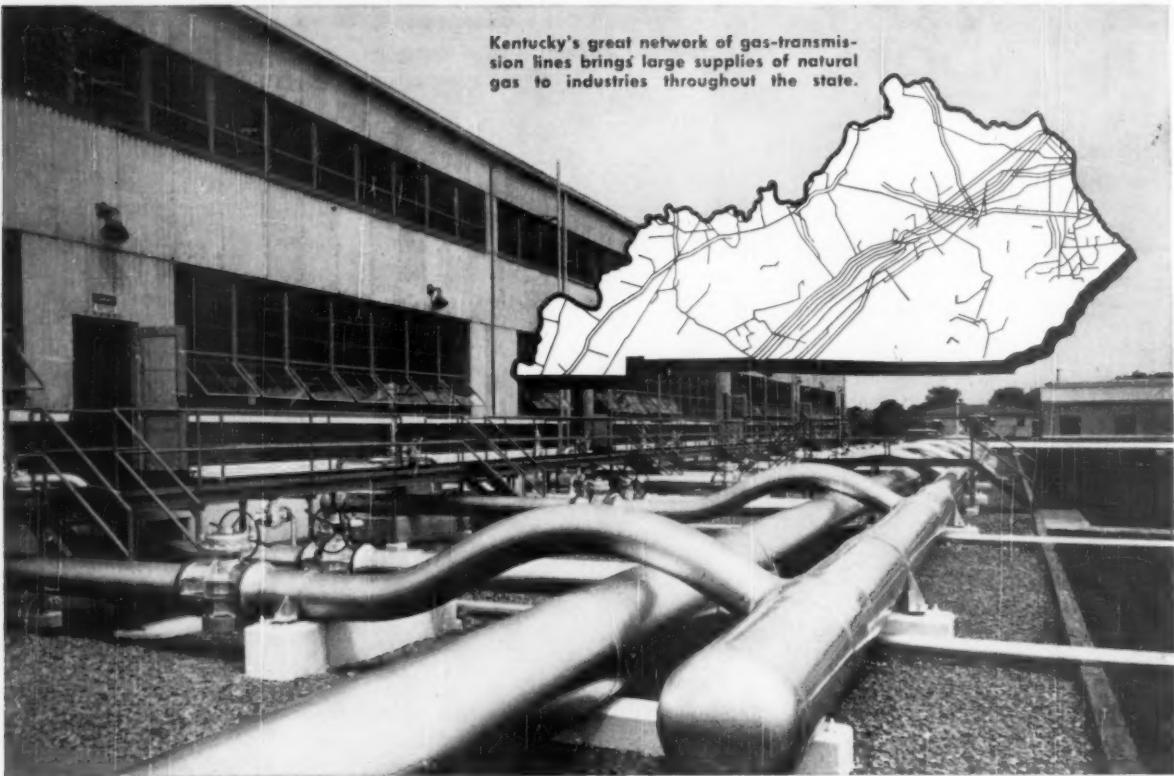
The risks of a policeman's job aren't deterring the Cincinnati Police Dept. from seeking a traditional labor benefit—longevity pay. This was the top demand, along with a request for a 7% wage boost, of Pres. James W. Kiefer of the Fraternal Order of Police. The 20¢-an-hour wage increase would raise the patrolman's maximum pay from \$5,882 to \$6,293.

Kiefer says the policemen want automatic pay raises, or longevity pay, because supervisory positions and chances of promotion are limited. The policemen sought no fringe benefits because—as Kiefer says—"you can't eat them."

## Union Contracts Are Beginning to Include Longer Holiday Weekends, More Half Days

The long weekend, almost nonexistent in contracts five years ago, is catching on. A survey by the Bureau of National Affairs of 400 companies shows that 5% of the contracts observe the day after Thanksgiving making a four-day weekend.

The survey discloses a general increase in holidays, with a sizable majority of the contracts awarding seven to eight holidays. The half holiday is also becoming popular; 19% of the contracts give a half holiday on Christmas Eve, while 15% offer a half day on New Year's Eve.



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## THE MARKETS

# Fewer Refuges for the Investor

When the stock market shows signs of getting into trouble, it's traditional for investors to start buying defensive stocks—the utilities, food chains, small loan companies, and drugs (charts). To an investor, the appeal of these shares has been that they normally show stable earnings, they are less apt than most others to be affected by a general decline in business, and they are most likely to maintain their dividend payments.

The reasoning is that in any sharp drop of stock prices, defensive stocks won't suffer so much as the market in general—and that they might even go up.

- **Defenses Down**—Today, though, the whole concept of defensive investment is open to question. Many analysts hold there's no such thing as a defensive common stock. One says bluntly: "If you think the market is heading down, then sell short—or buy bonds."

A number of reasons lie behind this shift in attitude:

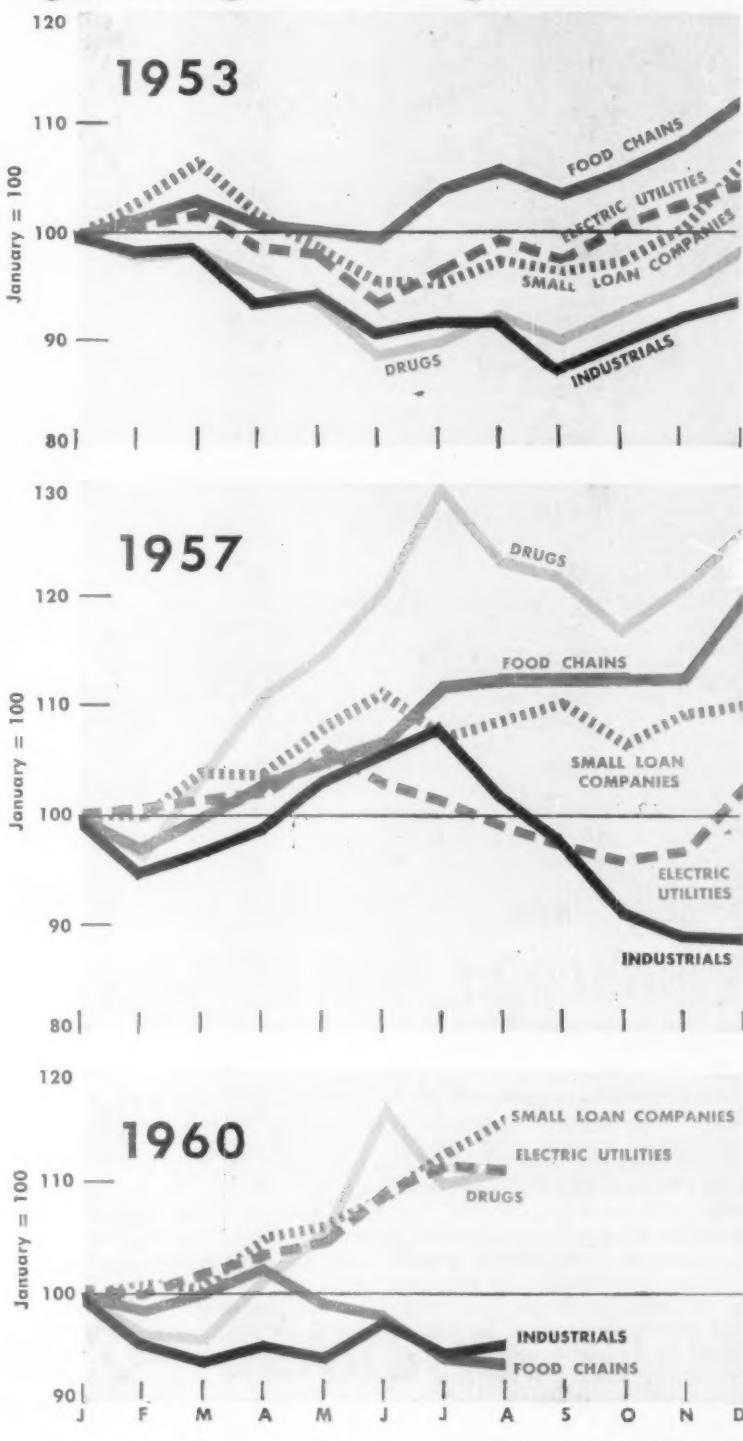
**Overvalued issues.** Many stocks considered "defensive" shot up with the others during the bull market. By now, they may themselves be overvalued. Utility stocks, for example, now sell at an average of 19 times current earnings, compared to about 14 times earnings in 1955. Some "growth" utilities are going at well over 25 times earnings.

**Rising bond yields.** These days, bonds often give the investor a better return than defensive stocks. "When high-grade bonds were yielding 2½%, there was some reason for buying an income stock paying 6%," says a senior trust officer at one of the nation's largest trust banks. "But today, with bond yields over 4.5%, there's no reason for buying a stock for yield alone."

**The "growth stock" theory.** This theory, now widely popular, holds that a stock with a high and constant rate of growth in earnings merits an extremely high price-earnings multiple. The doctrine has colored investor thinking about common stocks. More and more institutional investors, for example, are taking the attitude that a stock isn't worth buying if it doesn't provide a stake in a growth area of the economy.

- **Still in Vogue**—In spite of these shifts, a great many analysts and investors still favor defensive issues when the economic outlook is cloudy. They particularly seek out the utilities, which ordinarily yield more than 4% and sometimes well over 5%. Many utility stocks, particularly of companies in mature, slowly growing communities, tend to sell like bonds—moving up when

## Defensive Stocks: Are they still a good hedge in a falling market?



Data: Standard & Poor's

©BUSINESS WEEK

business is bad, down when it is good. This is partly because interest costs are important to utilities, and money rates usually rise and fall with the economy. (The same factor is also influential with small loan companies.) Another reason is that many utility stocks tend to follow the trend of the bond market because they, too, are bought for yield.

But yields aren't the only gauge for a defensive stock. Nor do defensive issues necessarily sell at high yields and low price-earnings ratios. Many food chain shares sell at more than 15 times earnings and yield 3% or less—Great Atlantic & Pacific Tea Co., Kroger, Jewel Tea, and Winn-Dixie are good examples. Their appeal rests on their role in rendering a basic consumer service, for which demand is likely to stay fairly constant no matter what happens to the economy.

The drug shares also have distinctive charms. Unlike the traditional defensive stocks, they can't be classified as static, high-yield situations. The drug industry has expanded dramatically in recent years, as heavy research and development spending has brought a stream of new products. The allure to investment men is that the industry's growth has been remarkably free of cyclical ups and downs. "Drugs are just about immune to the business cycle," says one analyst. "That's why they're a good hedge in a falling market."

• **Possible Plunges**—Even though the defensive shares seem well insulated against market swings, many veteran analysts fear the stocks have lost some of their defenses as they have risen. Food chains, for instance, did well in earlier market declines, but they have not kept up with other stocks in 1960.

"Price-earnings ratios depend on investor psychology," says the manager of a big investment trust. "If investors suddenly become pessimistic, then the earnings multiplier can drop awfully fast." He recalls that in the 1929 bull market American Telephone & Telegraph soared to its all-time high of about \$310 but plummeted in 1932 to \$70, even though AT&T paid its famous \$9-per-share dividend regularly and has always been considered a good defensive investment. In terms of the present stock, recently split 3-for-1, the \$70 price in 1932 would be equivalent to \$23—and AT&T is now selling at \$94.

Even the most pessimistic observers today don't see another 1932 around the corner. But they worry that the value of defensive stocks as a hedge against a sharp decline may have been damaged by the rise to relatively high price-earnings ratios. "It's getting so there just isn't any place to hide," says one market man.

• **Stress on Growth**—The growth stock

theorists are especially outspoken in attacking the notion that stock should be bought for income alone. Frederick N. Goodrich, vice-president of New York's U. S. Trust Co., puts it this way: "The stocks that have contributed most [to our success] are those bought for longest-term results: Eastman Kodak, IBM, General Foods, American Express, Texas Instruments, Litton Industries, Haloid Xerox, Universal Match, Houston Lighting, Southern Co., and Florida Power & Light." On all these issues, yields are either low or nonexistent.

"Where we have succumbed to high current income, as in C.I.T. Financial Corp. or Rochester Gas & Electric," Goodrich adds, "our results have been mediocre."

Investment managers grant that growth shares have been the belles of the ball in the last few years. But they question whether successful investing is quite so simple. The balanced mutual funds, for example, have to produce a certain amount of current income. And mutual funds generally are under great pressure always to "do better than the averages" because they report results quarterly. The trust companies, by contrast, never make their investment results public; so they have more freedom to sit out a market decline.

• **Ahead of the Pack**—To keep ahead of the market, the mutuals tend to make big cyclical swings in their portfolios. This explains why they were among the first to switch into defensive stocks (BW-Oct. 31 '59, p111). Distributors Group, Inc., with funds totaling \$170-million, is typical of many. Currently, it has about 58% of its common stock investments in defensive groups—principally utilities, variety chains, and to a lesser extent, finance companies.

Harold X. Schreder, DG's investment manager, feels that it's only logical to "cover yourself" if there's danger of a general market decline. "The character of the market changes, and you have got to change with it," he says.

Thurston P. Blodgett, vice-president of Tri-Continental Corp., the nation's largest closed-end diversified investment company, generally agrees with Schreder. But he cautions that there's no such thing as a purely defensive, growth, or cyclical stock. "It's a matter of degree," he says. "If you believe that the economy is heading down—which I don't—it is reasonable to reduce cyclical in your portfolio as much as possible."

"But you want to avoid companies that don't show any growth at all, even if they have a good yield and look like a fine defensive investment," adds Blodgett. "Because if you make a mistake in a company like that, then there's nothing to bail you out."

## Wall St. Talks . . .

### . . . about SBIC formed by Marine Midland, interest in foreign securities, Republic Steel's debentures.

Marine Midland Corp.'s entry into the small business investment company program, announced this week, could spur other New York banks into action. The bigger New York banks have been waiting for changes in SBIC legislation before taking the plunge. But now that Franklin National Bank of Long Island, Empire Trust Co., and Midland have set up SBICs, others may get off the fence.

Among the casualties in the Congo crisis are the 54% dollar bonds of the former Belgian colony. This week they were trading at 46, compared to 62 in July, when the Congo became independent, and 98½ in 1958, when the bonds were first sold by Dillon, Read & Co. The Congo bonds aren't guaranteed by Belgium and holders are dumping them for fear they will not be honored by the shaky Lumumba government.

Chemical Fund (assets: \$268-million) reportedly has decided to invest in foreign securities, after a year-long study of foreign chemical companies. Its latest report, however, showed that it had no European or Japanese shares in its portfolio.

Glickman Corp., a New York real estate firm sponsoring a number of syndicates, is making a second try to become a public corporation. A previous stock offering, underwritten by Bache & Co., was withdrawn partly because some syndicate members failed to exchange their shares. Now Glickman plans registration of 4-million shares of Class A common to be offered in exchange for outstanding limited partnership or corporation units in syndication, and 400,000 shares of Class A to be offered at \$10 per share. But this time, Bache & Co. isn't likely to be the underwriter.

Bond dealers say a big speculative interest is building behind the \$125-million offering of Republic Steel debentures due next week. There hasn't been a "hot" corporate bond issue on Wall Street for a long time, and traders are busy getting in their bids because they can buy bonds in quantity on narrow margin, thus make a quick profit if the issue is in demand and jumps to a premium.

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# In the Markets

## Stock Prices Stage Broad Advance

### As Investors Bet on a Fall Upturn

Stock prices this week moved up sharply on increased volume, with a broad list of groups sharing in the advance. Brokers report that the cut in bank lending rates—particularly in brokers' loan rates—triggered the rise. They add that many investors think further easing moves are on the way, as well as increased government spending, both of which would help to spur an upturn in the fall.

The strength of the rally, in view of the cloudy profits outlook for many companies, was very impressive. On Wednesday, the Dow-Jones industrial average closed at 641, a rise of 40 points—or almost 7%—since late July. Investors are obviously counting on good business this fall, and a reversal of the shrinkage in corporate profit margins.

Many analysts feel that investors may be indulging in wishful thinking, and that the easing of credit should be a cause of concern rather than elation. If business activity—and profits—fail to come up to expectations, they think that another setback may be in order in the market.

However, if business perks up strongly, the current rally may go further. Many stock groups, particularly in cyclical and basic industries, are still very depressed and offer attractive yields to investors. It will take a genuine and prolonged business upsurge to provide increased earnings for stocks in these groups; this week, at least, investors were betting that an upsurge was a strong possibility.

### Prime Rate Cut Fails to Stir Bonds And Trading Slows Down to a Crawl

In spite of the drop in the prime rate to 4½%, activity in the bond market slowed to a crawl this week. Trading in all sectors of the market—U.S. government, corporate, and municipal—was light and prices drifted in desultory fashion.

Traders said that the rally in the bond market, which began to slow down in early August (BW—Aug. 6'60, p123), had discounted the recent reductions in the discount and prime rates—rates that are “administered” rather than moving with the market. The traders point to the fact the Treasury bill rate had risen for four weeks in a row as a sign that a runaway market in bonds is not likely. (The bill rate now stands at 2.518%, compared to the 1960 low of 2.131% Aug. 1.)

But the slowdown in the bond market hasn't discouraged underwriters from bidding aggressively in competitive bond sales. The \$60-million issue of Southern California Edison Co. first mortgage bonds this week was priced to yield only 4%. Traders said the price

was “quite a bit higher than the market.” (The less a bond yields, of course, the higher is its price.) The hope is that a rising bond market will eventually make the bonds look attractive. So far, on other issues, this technique has paid off.

### ... But Bank Stocks Churn Violently

Leading bank stocks churned violently in the wake of the cut in the prime rate this week, but over-all there was little change in prices. So far this year, bank stocks have turned in a sorry performance; on the average, the New York City banks, which account for most of the trading in bank shares, are selling at almost 15% under their highs of last December.

The decline in bank stock prices is something of a puzzle, because bank earnings are increasing sharply. According to M. A. Schapiro & Co., Inc., a leading bank stock dealer, operating earnings for the New York banks this year will total \$365-million, up 16% from a year ago. And Schapiro is confident that the cut in the prime rate “won't have any significant effect at all on bank earnings for this year.” But investors apparently feel that the relaxation of credit will hurt earnings.

The banks, though, are likely to help their own cause by increasing their dividends. Bank experts point out that the dividend-payout ratio for the New York banks has dropped to a 10-year low—49.5%, compared to an average payout for the period of almost 59%. This leads some bank stock dealers to predict a rise in dividend rates this fall, which may give an extra boost to the traditional yearend rally in bank shares.

### Warner-Lambert Stockholders to Get Dividend Deal in Merger With 3M

There was a good deal of activity in the shares of Minnesota Mining & Mfg. Co. and drug specialist Warner-Lambert after they announced terms of a tentative merger agreement. Both stocks advanced—Warner-Lambert up 3½ to 814, 3M up 2½ to 78½—before profit taking.

Terms of the merger, which have yet to be approved by directors and stockholders of both companies, call for exchange of one Warner-Lambert share for one-half share of 3M common plus one share of special Class A voting stock, convertible into three-fifths of a 3M common share. This works out to 1.1 shares of 3M for each Warner-Lambert share. Purpose of the Class A issue, which will carry an annual dividend of \$1.35, is to equalize payout between 3M's current 60¢ a year dividend and Warner-Lambert's \$1.50 a year.

The proposed merger is the second that Warner-Lambert Chmn. Elmer Bobst has tried to arrange. In 1958, a marriage with R. J. Reynolds Tobacco Co. was called off only at the last minute (BW—Dec. 20'58, 71).

The new merger, if it goes through, will give 3M a broader retailing setup for its consumer items, and will provide Warner-Lambert with additional management depth and a chance to broaden its research and development activities.



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# PERSONAL BUSINESS

BUSINESS WEEK  
AUG. 27, 1960



The Broadway season opening next month looks sparkling compared to last year's.

Seven shows are getting the biggest ballyhoo right now:

**Irma La Douce**, a French musical that scored a hit in Paris and London, promises fun and sex, with a new twist—there's only one woman in the cast, co-star Elizabeth Seal (Plymouth, 236 W. 45, top \$8.60, open Sept. 29).

**Tenderloin** is a George Abbott musical, starring Maurice Evans in a switch from heavy drama—it's based on Samuel Adams' book about the social and sinful side of New York in the Gay Nineties (46th St., 226 W. 46; \$8.60; Oct. 17).

**Camelot**, in case you haven't already tried and found out, is booked solid for at least six months. This King Arthur legend could be the season's musical smash. It stars Julie Andrews and Richard Burton, with book and music by Lerner and Loewe, who did *My Fair Lady* (Majestic, 245 W. 44; \$9.40; Nov. 17).

On the dramatic side, **Becket** is an adaption of a Jean Anouilh play about St. Thomas a Becket—the 12th Century archbishop of Canterbury. It brings Laurence Olivier and Anthony Quinn to Broadway—script-readers say this looks like a "must" for serious theatergoers (St. James, 246 W. 44; \$6.90; Oct. 5).

**Laurette**, based on Marguerite Courtney's biography of her actress-mother, Laurette Taylor, stars Judy Holliday—compelling, tragic (Martin Beck, 302 W. 45; \$6.90; Oct. 27).

**Advise and Consent** is a dramatization of Allen Drury's political novel about the U. S. Senate—this is surefire material for an election year. No cast has been named yet (Cort, 138 W. 48; \$7.50; Nov. 17).

**Critic's Choice** is Henry Fonda's new show, and it's the only outstanding dramatic comedy among the top seven—about a drama critic whose wife writes plays (Barrymore, 243 W. 47; \$6.90; Dec. 15).

Also up front, though not drawing big advanced sales yet, are 11 more shows that open before yearend:

**Musicals:** *Vintage '60*, a revue, spoofs everything from missile experts to Hamlet, and West Coast reviews are enthusiastic (Brooks Atkinson, 256 W. 47; \$7.50; Sept. 12). *The Unsinkable Molly Brown* charts a chambermaid's rise to riches back in 1870, features comedienne Tammy Grimes—score by Meredith Willson, who created *Music Man* (Winter Garden, 1634 Broadway; \$8.60; Nov. 3). *Wildcat* brings Lucille Ball back to Broadway and puts her in a 1900 oil-strike setting (Alvin, 250 W. 52; \$8.60; Dec. 15). *Do-Re-Mi* will be Phil Silvers in a long gag about the juke box industry—music by Jule Styne, words by Betty Comden and Adolph Green (St. James, 246 W. 44; \$8.60; Dec. 26).

**Dramas:** *The Hostage*, by Brendan Behan, will have its London-Paris cast here—it's a story of the Irish revolt (Cort, 138 W. 48; \$6.90; Sept. 20). *A Taste of Honey*, featuring English actress Angela Lansbury, lets Britain's "angry young generation" speak out (Lyceum, 149 W. 45; \$6.90; Sept. 24). *The Wall* is based on John Hersey's forceful novel about the Warsaw ghetto in World War II, with George Scott, who scored last season in *Andersonville* Trial (Billy Rose, 210 W. 41; \$6.90; Oct. 11). *Face of a Hero* has Hollywood's Jack Lemmon in a courtroom drama set in the South (Eugene O'Neill, 230 W. 49; \$6.90; Oct. 20). *The Little Moon of Alban* stars Julie Harris in James Costigan's play about an Irish nun who befriends a

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

AUG. 27, 1960

British soldier during the 1920 revolt (Longacre, 220 W. 48; \$6.90; Dec. 1).

**Comedies:** An Evening with Mike Nichols and Elaine May, a tiny two-person revue—sharp with satire (Golden, 252 W. 45; \$6.90; Oct. 8). And Tennessee Williams again. This time it's a comedy about the early days of marriage, Period of Adjustment (Helen Hayes, 210 W. 46; \$6.90; Nov. 10).

An idea for tickets, if you run into a box office snag: Write to the Stubs Preview Club (246 W. 44, New York 36) for attending pre-opening performances. You pay a \$5 membership fee, get discounts up to 40% on tickets. Another well-established group, providing Broadway tickets on a membership basis, is Play of the Month Guild (545 5th Ave., New York 17).

—•—  
**If you've been puzzling over a gift for a college-bound youngster, here are some suggestions, along with approximate prices:**

Both boys and girls will probably welcome any of these: Transistor radio in a world globe (\$60), portable tape recorder (\$100), JoyRide portable motor scooter (\$215), push-button indexed holder for phonograph records (\$35), coffee kit (\$15), portable plug-in refrigerator (\$140), electric-lighted mirror (\$23), sports blanket in a cushion-bag (\$17), electric shoe buffer (\$30), thermos jug in case (\$45), ankle-high lambskin lounging slippers (\$16).

**For a boy,** you might decide on a Countess Mara tie press (\$13), valet stand (\$58), leather sports-record book (\$40), wool-lined velveteen sports coat (\$50), leather two-suiter grip (\$60), or an English wool robe (\$35).

**For a coed,** a leather-lined attache case (\$60), hair dryer (\$30), leather jacket (\$75), fitted traveling case (\$120), raccoon-lined leather coat (\$495), travel iron (\$13), or perhaps an Italian musical jewelry box (\$125).

—•—  
**Volkswagen has beefed up its 1961 model mechanically** (though outward appearance stays the same). Power has been boosted from 36 to 40 hp., providing more acceleration for passing and for entering high-speed highways. Also, synchronized gears allow easier shifting; redesigned gas tank increases trunk capacity by 65%. Drawback: The car still lacks a gas gauge.

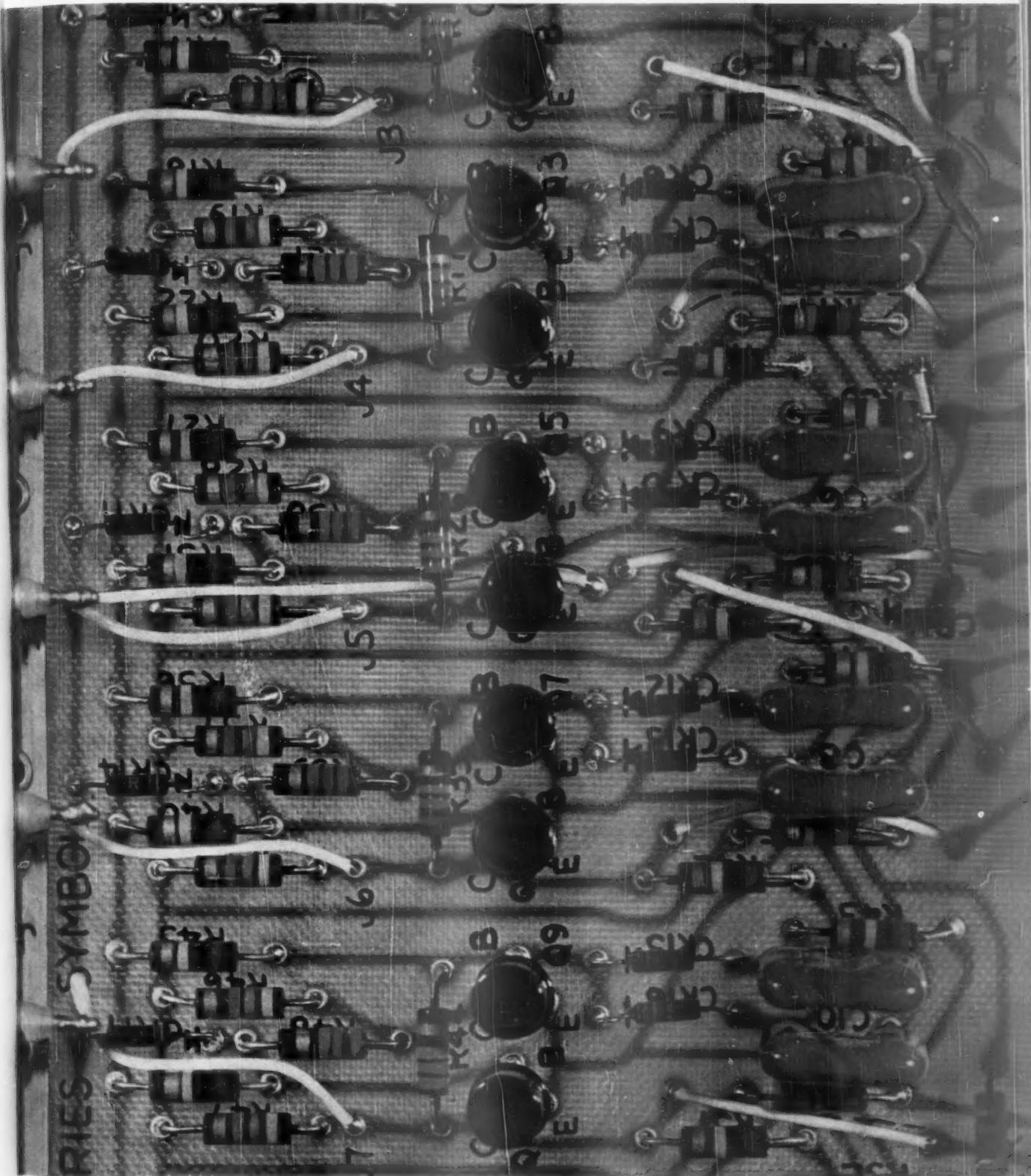
—•—  
**Hobby lobby:** Antiques, philately, and chess get detailed treatment in three new books. The Connoisseur's Handbook of Antique Collecting, edited by Helena Hayward, defines terms for ceramics, glass, silver, and fine art (Hawthorn, \$5.95). In Nassau Street, Herman Herst, Jr., tells hundreds of anecdotes, stories, and memories of a quarter-century of stamp dealing (Duell, Sloan and Pearce, \$5). Fred Reinfeld, chess authority, describes world championship play with diagrams in The Great Chess Masters and Their Games (Hanover, \$3.95).

—•—  
**Polio vaccine in tablets may be available next summer.** They would save the inconvenience—and irritation—of shots.

Meanwhile, if you haven't had a full series of four Salk shots, don't put it off any longer. They're considered more than 90% effective in giving protection—and polio cases have been rising this month. If you've ever had a severe reaction to penicillin, note that the National Foundation reports polio vaccine made by Wyeth Laboratories contains practically no penicillin.

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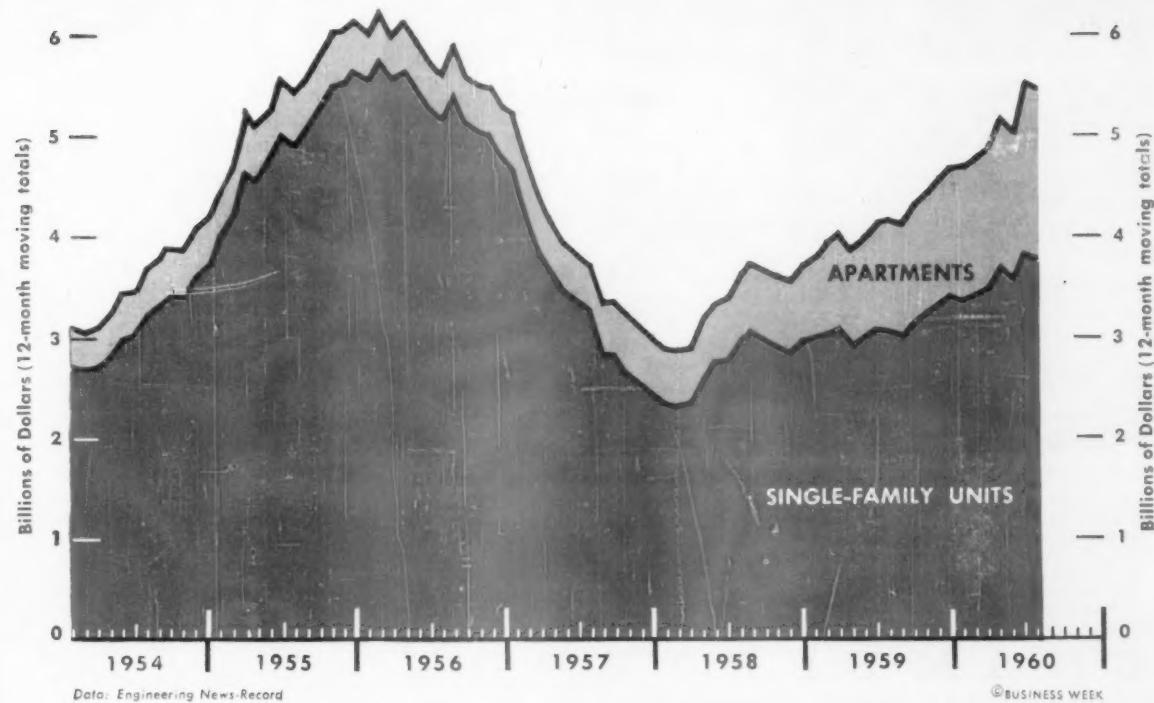
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## New Day for Mass Housing

That widening gap at the right-hand side of the chart is the harbinger of happy news for the mass homebuilding industry. Contract awards for private mass housing are surging upward at a pace unmatched since the 1954-55 housing boom.

In dollar volume, 1959 set a new record in private residential construction. But most of that came from small builders—not the big contractors. Private mass housing—the \$400,000-plus projects for houses, apartments, dormitories, and hotels—accounted for only 28% of residential construction. That's far below the 1955 boomerang figure of almost 41%.

**High Intentions**—The big comeback in mass homebuilding may not show up in figures on housing starts this year. There's usually a delay of several months after contracts are announced before actual construction begins. But the industry clearly is pulling out of the three-year slump that began in late 1956. Smaller builders, however, have given no sign of boosting their targets. (In fact, July private nonfarm housing starts fell 10% from June.)

According to McGraw-Hill's Engineering News-Record, large-scale homebuilding commitments for the first 34

weeks of 1960 topped the comparable period in 1959 by 34%. In July, for instance, the industry was operating at an annual rate of \$5.5-billion, compared with \$4.2-billion during the same month last year.

- With a Difference—In a check of builders and housing experts around the nation last week, BUSINESS WEEK reporters found that:

- Construction of apartments, particularly cooperative and luxury-class buildings, is increasing. Much of this is in downtown areas of cities.

- Jumbo-sized developments of private homes are staging a comeback—but with a difference. Homes are practically custom-built, in contrast to the former Levittown, assembly-line approach.

- Prefabricated homes so far haven't shared in the resurgence of mass housing. That's partly because homeowners tend to be more choosy about quality and design features.

- Mortgage money is getting more plentiful in most areas, but interest rates have eased only slightly.

### I. Apartments Lead Way

Bigest push behind the boom has come from apartment building (chart).

More multi-family dwelling units are planned or under construction than in any postwar period. With \$824-million worth of contract awards for private apartment construction, the first seven months of 1960 exceeded the entire year of 1959, which had held the 12-month record with \$769-million.

Builders foresee big markets for both rental and cooperative apartment units among the young marrieds (including the wartime baby crop now reaching marriage age), the retirement age group, and disenchanted suburbanites. Apparently the recent high rental vacancy rate (7.3% in the second quarter, compared with 6.7% in the same period last year) has not dimmed their optimism for the long range.

- Co-op Buildings—In big cities, middle-income cooperative apartments are getting a play under Section 207 of the National Housing Act. FHA-insured co-op building projects have little appeal to big developers and institutional investors, because of the 5½% ceiling on interest rates and a rather complicated schedule of amortization. So they are usually sponsored by urban redevelopment groups and labor unions. More than a dozen are planned or under construction in New York City alone,



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eight in Newark. Chicago, San Francisco, Detroit, and Honolulu also have projects. FHA counts co-ops in 38 states today compared with only six three years ago.

The public doesn't seem to share the misgivings of investors. Co-op apartments combine the charms of home ownership and carefree apartment life. As in other property ownership, the occupant builds up equity and his outlay for mortgage interest and real estate taxes is deductible at income tax time. There's a downpayment to be considered, but the monthly charges paid to the project management—including amortization, property taxes, insurance, staffing, repairs, and maintenance—are often less than rents for comparable apartments. And rents neither build up equity nor offer tax advantages.

• **Big Bronx Project**—One of the biggest middle-income co-ops ever built will be New York City's Concourse Village in the Bronx: 5,600 apartments in 22 buildings, each 20 stories high. It's sponsored by the Amalgamated Meat Cutters & Butcher Workers of North America; Cauldwell-Wingate, Inc., has the construction contract.

Construction won't start until year-end, but the union says it has already received more than 7,000 inquiries. The first seven buildings, planned for 2,200 units, are scheduled to be completed within 16 months after groundbreaking. Apartments are priced at a downpayment of \$700 per room, plus an average monthly maintenance charge of \$27 per room.

The union is by no means flying blind in this venture—it has already completed four other co-op projects in New York City totaling 5,200 units.

Under private development, luxury co-op apartments are also springing up in the New York suburbs. Bernard Rosen of Cauldwell-Wingate declares that co-op apartments are the next big trend in big cities all over the U.S. Builders and financial men in other cities agree, with the one reservation that the profit incentive isn't yet as alluring as it should be.

• **Other Cities**—Detroit housing expert Aaron J. Blumberg feels the greatest potential demand is for luxury and semi-luxury apartment houses in downtown locations, appealing to smaller families, weary commuters, and well-to-do retired couples.

Detroit's biggest project is a co-op 14-story building under construction on filled land on the waterfront. C. W. Babcock & Sons is offering 75 units at prices mostly between \$21,000 and \$80,000, with several penthouses at \$100,000. The company says 30 apartments have been sold.

Not all luxury apartment houses are cooperatives. In Kansas City, ground is being broken for Parkway Towers, a 13-



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# Minding our own business

BACKSTAGE AT BUSINESS WEEK

**Fast close.** At 1:50 a.m. (EDT), Thursday, July 14, Wyoming cast 15 votes for Kennedy, making it official. Standing by in New York, Business Week's editors worked fast. It was five hours past normal closing time, but they had



to know Kennedy was the candidate. They had refused to jump the gun. Two lead stories sat side by side in type—one, an analysis of the Democratic platform; the other, a review of Kennedy's attitudes on important business and economic issues. The platform story was sidetracked. A new lead was written for the Kennedy report, and by 5:30 Thursday morning, copies of *Business Week*'s July 16 issue were coming from the bindery. Elapsed time: 3½ hours. Next day, subscribers were reading the first account of the nomination in a national magazine. Better still, they knew the candidate's views on issues important to them.



As the campaign proceeds, *Business Week* readers are getting just that kind of special coverage. Not what Pat and Jackie are wearing. Not the banners and byplay. Instead, a dispassionate, interpretive account of what is said and done that concerns business, equipping our readers to make informed decisions in business—and at the polls. Editorially, we have no candidate. Just a serious job to do.

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story, 160-unit building to be completed late next year. Nearly half the apartments have already been rented. In Los Angeles, work will start in the next month on a 16-story luxury rental apartment house on Wilshire Boulevard, built by B. L. Metcalf Co. Its 56 units will rent for from \$300 to \$700 a month. Completion is scheduled for late 1961.

• **Soft Spots**—Not all apartment builders have had smooth sailing. In Chicago, where the housing market has been weak for nearly a year, Robin Construction Co. put off till next year a scheduled start on six 27-story apartment buildings on Marine Drive—the 1,055-unit Riverside Park project.

"Taxes have increased to the point where it's almost impossible to operate," says Albert Robin. "There is no demand for apartments, and smaller buildings have dropped rents."

Robin has a 20-story apartment building to be completed by next May; none of the units has been leased.

In Atlanta, Rankin-Whitten Realty & Loan Co. says simply: "We're overbuilt." Their records show more vacancies than any time in the past three years. Some Atlantans lay part of the weakness to uncertainty about the school situation.

## II. Small Homes Lag

A spot check of single-family projects around the country reveals that most builders are going ahead with announced plans, but they expect to move slowly, one section at a time. The vast speculative housing developments that thrived in the sellers' market are rarely to be found in this day when buyers shop less for price than for special design features, quality construction, and prime location.

Mammoth projects are still going into action, but they are almost invariably keyed to some special selling feature, such as central air conditioning, or to pronounced population shifts.

For example:

In Maryland, Levitt & Sons broke ground in July for a 4,500-home development, Belair, on the former Woodward estate, near the new Washington-Annapolis highway that's under construction. Each house is completely air-conditioned; prices range from \$14,990 to \$22,990.

In California, Rossmoor Builders, Inc., have completed 3,200 of 3,500 homes (\$22,000 to \$26,000) in a subdivision near Los Alamitos that's walled off from the countryside.

In Colorado, more than 20 mass homebuilding projects have been announced for the area just south of Denver. Expansion of the Martin Co.'s Titan missile plant and completion of a four-lane expressway to Denver have

set off a population shift in this direction. The Denver area shows over-all growth, too. It was scarcely touched by the 1958 recession, and it has had a steady influx of 3,000 persons per month, mostly families with good salaries. Local housing is tight.

In Missouri, plans for a new missile plant near Springfield led to a 500-house project of McLean Enterprises. Two hundred homes are scheduled for completion this year and the rest by next summer.

• **Spectaculars**—Builders in California foresee, for at least the next few years, an almost insatiable demand for new homes.

The \$150-million Callan Park project near Daly City, south of San Francisco, includes both houses (about 2,800 of them in the \$20,000-\$27,000 bracket) and apartment buildings (2,500 units). Builders hope to complete 300 homes by the end of this year.

Sunset International Petroleum Co. of Los Angeles is making a big splash in mass housing. It is aiming at completion of 1,000 homes this year, out of a projected total of 8,000, in its \$200-million San Carlos development in San Diego. Prices of homes range from \$15,000 to \$25,000; the community includes an apartment group, churches, schools, shopping centers, recreation areas.

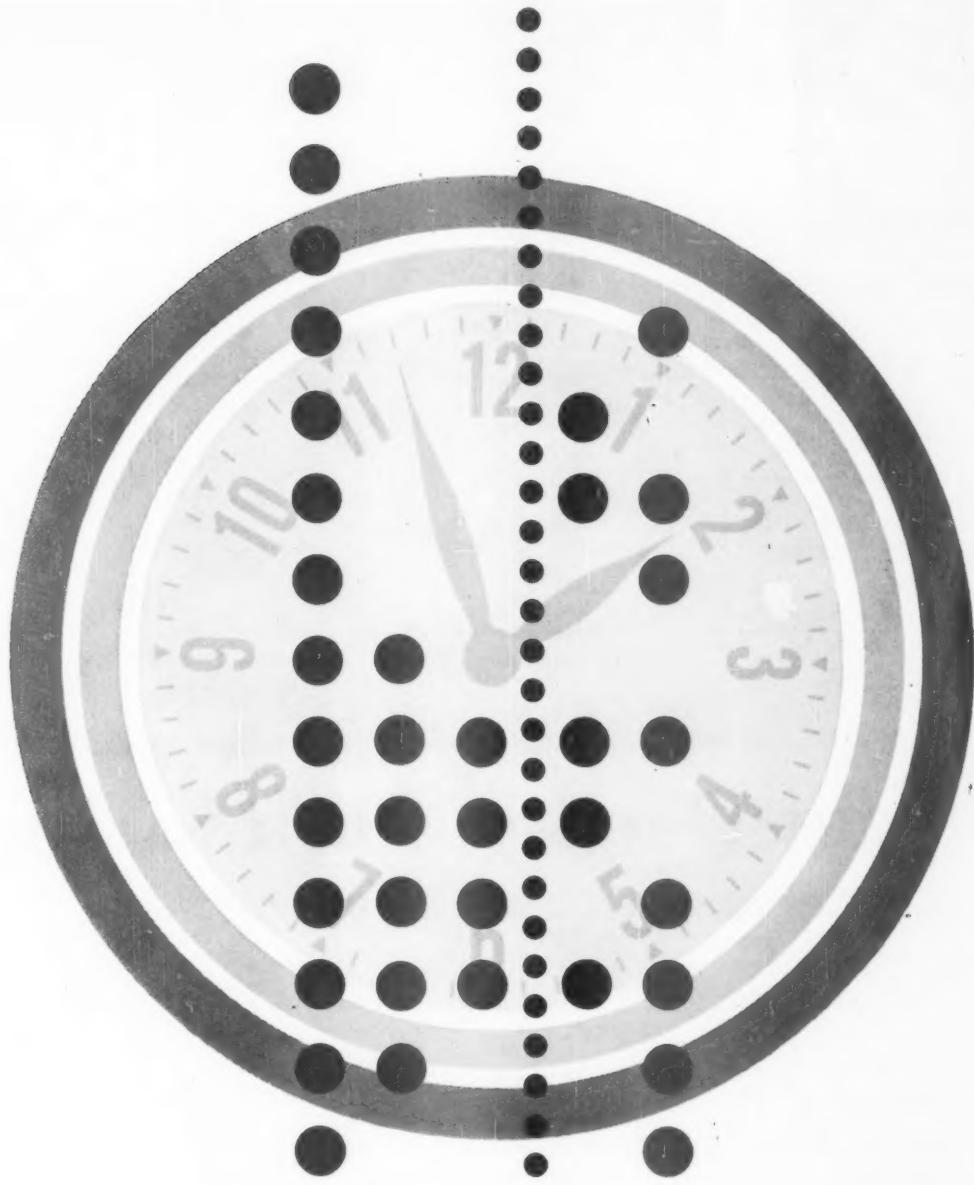
Last May, Sunset paid \$9-million for 12,000 acres 25 miles north of Sacramento, where it plans a self-contained \$1-billion community to be called Sunset City. Over a 20-year span, the master plan calls for 32,000 homes, several shopping centers, enough commerce and industry to keep the breadwinners employed. Sunset hopes to build 1,000 homes next year and 1,500 or 2,000 a year after that.

A third Sunset project calls for about 7,000 homes in an industrialized area near Los Angeles; some houses have already been built on a 3,300-acre tract, but the project hasn't been officially announced.

• **Built-in Recreation**—There's also a strong trend in the big developments today toward providing yacht basins, golf courses, country clubs.

All are included in Kingswood by the Severn, a 500-home development near Annapolis, Md., where houses are in the \$36,000 price class.

Shore Club Estates, on a 1,600-acre estate near Washington, D. C., formerly owned by the late John J. Raschke, is planned, says builder William Allen, for 1,000 families "who like to live in a millionaire atmosphere." Not only does it include such luxury features as a gun club, a private airport, a golf course, and a marina but you have to be accepted as a member of the Shore Club in order to qualify as a buyer. **END**



## TAPE AND MICROSECONDS

are essential to missile development. Instruments must record every function against time...in fractions often finer than one ten-thousandth of a second. Reams of electronic and optical data must be collected, reduced and evaluated before any missile can become operational. Vitro designed, built and helped instrument the Air Force missile test center at Eglin Air Force Base, Florida. Today it operates the center's test ranges and tracking stations throughout the Southeast. At Eglin, Vitro and the Air Force, working as a team since 1952, are responsible for checkout of missiles, rockets, weapon systems, countermeasures, space probe vehicles and bombing techniques, each vital to security. Another example of why Vitro means more than atomic energy...missile testing.

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IVIED WALLS lead on to new academic and living space as nation's universities start massive building program for expansion and improvement.



## Colleges Deep in Rush to Build

The campuses of the nation's colleges and universities are no havens from the clatter of the outside world these days. The vast majority of them resound now to the racket of the pile driver, the steel riveter, and the concrete mixer. Over the next five years those noises will grow much more intense.

Construction on the campuses is becoming a booming business. More money went into new and better college and university plant from 1956 to 1960 than in any previous five-year period. In that time, U.S. colleges and universities spent about \$3.5-billion on new classrooms, libraries, laboratories, and all the other plant that makes up an institution of higher learning.

From now through 1965 that record will be surpassed. The bill for new university construction will probably reach at least \$5-billion. It may be closer to \$7-billion or \$8-billion.

• **Growing Budgets**—Hundreds of universities around the country are raising their goals for the middle of this decade. In California, Stanford University has put some \$29-million into new and better buildings in the last five years; it expects to spend \$33.5-million in the next five. In the East, Princeton University, which has built little new plant in the last 20 years, opened a \$53-million fund drive early this year and will

spend about \$20-million of that for new and better buildings by 1965. In the Midwest, the University of Chicago has spent some \$30-million on its own improvement and expansion in the last decade, but it expects to spend \$47-million for this in the next five years.

Not many of the nation's 1,850-odd colleges and universities have as much money available for expansion and improvement as those rich institutions. Some must struggle hard—and for years, sometimes, in vain—for the building funds they need. But the building budgets of Stanford, Princeton, and Chicago do reflect a fairly general pattern.

• **Size Factors**—Just how large the total budget will be depends on many variables. The current session of Congress may boost federal aid to education. A new Administration may increase it still further. General business conditions will affect corporations' gifts to colleges—and the amount of states' tax revenues available for tax-supported universities. Stock market behavior will affect private philanthropy.

The colleges and universities must by 1965 be ready to accommodate about 5-million students as against about 3.4-million last year. Their freshman enrollment, a little over 800,000 last year, will be more than 1-million.

• **Changing Patterns**—From the spend-

ing they will undertake to meet these pressures will come some slow but steady changes in the nature of the nation's universities. Some of those changes are already discernible:

- The big state universities will grow at a much more rapid pace than they have been growing.

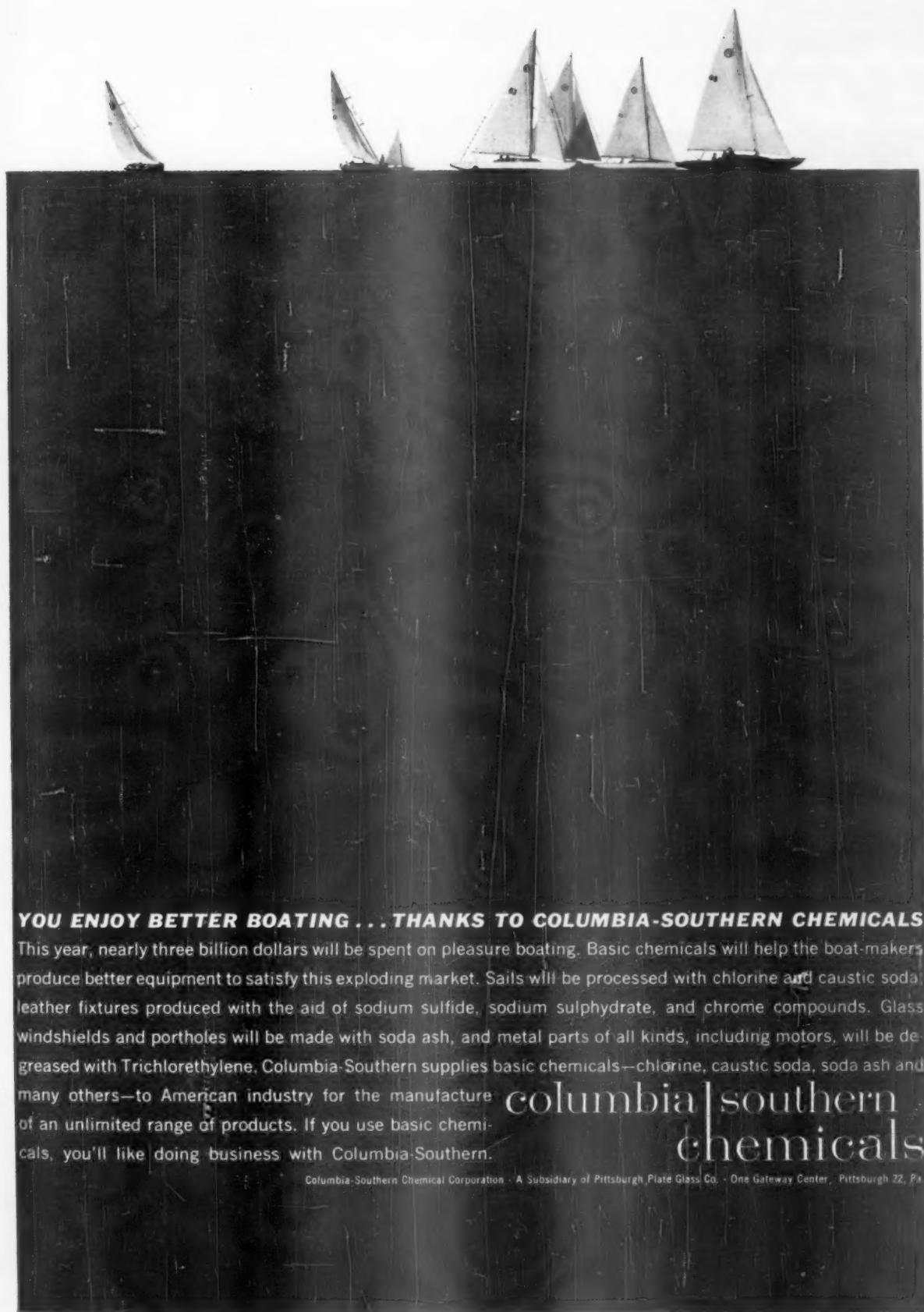
- The small colleges will be under heavy pressures and their numbers may fall.

- The "prestige" institutions—the Ivy League colleges, the Swarthmores, the Stanfords, and so on—will spend large sums for new plant, but they will not expand greatly.

### I. The State Universities

State revenues will probably provide about half the money spent on university expansion and improvement. This has been the pattern for the last half-dozen years. Last year, of the \$750-million spent for new university plant, the state-supported institutions spent about 60%; the private institutions, about 40%.

• **Space Demands**—It's in the major state universities that the severest part of the demand for more space will be felt. Usually, any state taxpayer has the right to send his children to his state's university, so long as they graduated



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from a recognized state high school. The state universities are steadily drawing students away from small colleges. The demand for space in the state universities will be extreme.

- **Obsolete Equipment**—And not for space alone. As the frontiers of knowledge are pushed out at an increasingly rapid pace, the universities find their facilities getting obsolete. In the sciences this is especially true. The top graduate students aren't too badly off, because government-financed research often provides them with up-to-date equipment. But facilities for less advanced students usually lag far behind.

Teaching techniques have taken such large strides in the last few years that universities need new equipment and new space to house it in dozens of other fields of education. In language teaching, for example, isolation booths fitted with loudspeakers or earphones and connected with tape recorders are the most widely approved aids, and such equipment needs to be housed in new or improved buildings.

- **Big Spending**—To meet the need for improvement as well as expansion, the states have already been spending heavily for their universities. Last year they appropriated \$709-million for their capital budgets—more than double the amount they provided five years ago.

The biggest of them all is the University of California, an empire made up of nine campuses, which today has an enrollment of 45,000 and expects to have 100,000 by 1970. Last year, it got a little more than \$130-million from the state for new construction; this year, its construction is running up to about \$161-million. Michigan has put more than \$200-million into its state university system in the last five years; Indiana, almost \$150-million.

- **Brand-New Schools**—The states are spending not just for new facilities at existing universities. Here and there they are building brand-new universities. This fall, the University of South Florida, at Tampa, will open its doors for the first time. It is the first of what may become a whole new chain of tax-supported universities in Florida.

In its first year, South Florida U. will have an enrollment of between 1,000 and 1,500 students, all in their freshman year. Year-by-year, as that class passes through the university, new classes and new facilities for them will be added, until by 1970 South Florida U. will probably have 10,000 undergraduate and graduate students.

## II. Private Institutions

In all those institutions the emphasis is heavily on expansion to meet the anticipated crush of students. Though the number of tax-supported colleges and universities is only half that of



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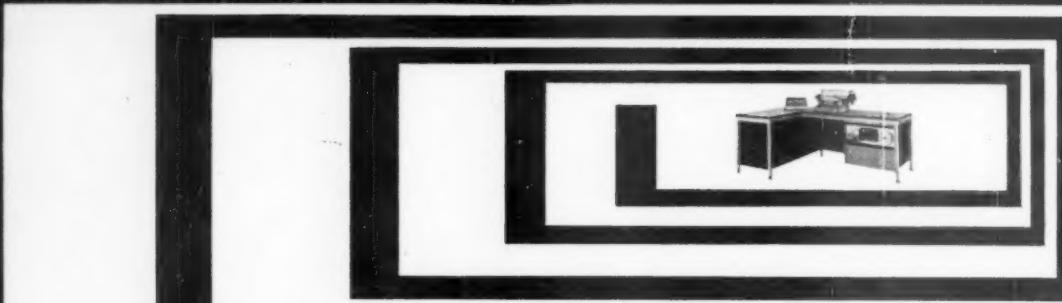
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private ones, the tax-supported institutions have been enrolling a steadily increasing proportion of students. They were about on a par 10 years ago, but now the tax-supported universities have about 60% of all the nation's college and university students.

This is, to some extent, a change that the private universities have deliberately sought, and many of them plan to push it still further. In their spending for new plant, they have put the emphasis on improvement rather than expansion, and that emphasis seems likely to remain heavy.

• **Little Plant Improvement**—With some notable exceptions—the heavily endowed institutions like Harvard, Yale, Stanford, and so on—the private colleges and universities generally have plants that are more obsolete than the state universities'. For all the fund-raising they have done in the last decade, they have not been able to improve their plant greatly.

Some of the money has been going for things that needed even more urgent action—for higher faculty salaries, for repairs and maintenance of existing buildings, and a dozen other such jobs.

The rest has gone into investments, waiting there often for years until enough money can be collected to finance a new building.

• **Columbia's Example**—Consider the case of even such an influential institution as Columbia University. In the last decade it has spent some \$10-million on its plant, yet from the outside there's little that is obviously new on the campus. The money has gone partly into new equipment housed in old buildings, into rewiring of power lines and into other tasks that are not immediately impressive. Until last year it had added not one new building to its campus for more than 25 years.

But in the next half-dozen years there will be plenty of new construction at Columbia. Gifts and grants have been piling up in the last decade—and earning interest—and now Columbia has enough to begin a \$90-million program that will put 13 new buildings on its campus in the next six or eight years.

For all the size of this program, there will be no great increase in the number of students at the university. Columbia College, the undergraduate school, does plan to boost its enrollment from about 2,500 to some 4,000 in the next few years. But this plan requires only about one-third of the total cost of the whole construction program. The rest is for the university's graduate and professional schools. And Columbia does not plan much of an increase in enrollments there. The bulk of the money will go for new buildings, freshly equipped.

• **Small School Problems**—For small colleges there are added problems in meeting present needs and preparing

for the future. They need less money than the big ones, but often they have more difficulty raising any money at all. As the big colleges get bigger, the small ones often find that to survive they have to keep stressing quality harder.

Reed College, at Portland, Ore., is one example of how the small schools meet these pressures. In the last seven years Reed, a four-year college, has invested a little more than \$2-million in its plant—for new dormitory space, new biology and chemistry wings. "But," says Reed's Pres. Richard H. Sullivan, "there has been only a small expansion in the number of our students. Seven years ago we had 600 undergraduates; this fall there will be 750."

"We have held a lid on size," says Sullivan, "and chosen an increase in quality. At least 40% of the freshmen we accepted seven years ago wouldn't be admitted to Reed today." But to keep up the quality of Reed's plant, Sullivan foresees the need for \$3-million to \$5-million worth of new construction in the next decade.

• **NYU Catching Up**—One of the biggest of all private institutions—New York University—has been catching up for the last eight years with improvement and expansion postponed first by the Depression and next by World War II. Since 1952, it has spent or committed \$106-million for new and better buildings. By the middle of this decade it will have put in another \$50-million to \$60-million.

Perhaps half of this huge building budget goes to keep the plant up to date, says NYU's Pres. Carroll Newsom. And he foresees no great increase in enrollments stemming from this building program.

• **Ivy League Quality**—The Ivy League colleges of the East are pressing harder year by year for quality rather than quantity in their enrollments. Harvard, for example, completed \$12-million worth of new buildings last year, will probably put up \$10-million worth this year, and has another \$20-million worth on the planning boards for the next couple of years. Yale has spent almost \$19-million for 15 new buildings in the last decade and has \$10-million earmarked for new facilities in the next couple of years. But in neither case will enrollments expand greatly.

### III. Sources of Funds

Around 75% of the money needed for all this private university construction comes from private gifts: gifts from alumni, grants from foundations, gifts from corporations and rich individuals.

At first glance it might seem that to finance their new surge of capital spending the universities must be tapping large new sources of funds. But this, the educators say, isn't really so. The

sources are about the same as they always have been; it's just that the universities are getting more from each of their traditional sources. Gifts and grants to private universities have doubled since 1952—from \$94-million then to \$186-million last year.

Grants from corporations are larger and more frequent; big private bequests are bigger than ever; foundations are giving more; alumni, when tapped for funds, give more; and at least for the big universities, government aid is larger and more varied.

• **Sophisticated Appeals**—The colleges and universities themselves have grown more sophisticated in their money-raising activities. More and more of the small colleges are banding together in such organizations as the Independent College Funds of America and making their appeals for funds as a united group, thus tapping the entire country. The big universities are timing their appeals more carefully; rarely nowadays do their fund raisers find themselves treading on each other's heels in their appeals to corporations and foundations.

• **Full-Time Job**—At New York University, for example, the task of prying loose the money needed for improvement and expansion is the full-time job of Frank L. Howley, former advertising executive and U.S. military commandant in Berlin at the time of the Russian blockade. He is now NYU's vice-president in charge of development. Since 1952, when he came to NYU, he and his staff—with the board of trustees playing an active role in many cases—have raised an average of from \$10-million to \$11-million a year. In his best year, Howley collected \$19-million.

Individuals, says Howley, are the best source of large gifts for building funds. Among the largest sums NYU has received from an individual in the last few years was \$8-million in gifts and bequests from Frank Jay Gould, grandson of Jay Gould, the financier.

• **Federal Financing**—But today the federal government is meeting an increasing share of the private universities' needs for capital funds. The federal money comes not through any formal program but indirectly through grants from federal agencies. The Atomic Energy Commission backs construction of many graduate physics facilities. For example, when Yale built a \$531,000 heavy-particle ion accelerator a few years ago, it got \$251,000 toward the cost from the AEC.

Through its College Housing Program, the Housing & Home Finance Agency since 1952 has lent more than \$1-billion to universities for construction of dormitories, residence halls, and student centers. But about a year ago the program's funds were used up and moves in Congress to add to the funds have been stalled. END

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## PETROLEUM WEEK

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## REGIONS

# Incomes Continue Their Climb

National total for first six months was 6.2% higher than for first half of 1959. Farms make better showing.

Despite disquieting signs in steel, autos, aircraft, textiles, and agriculture, incomes continue to set new records each month. June chalked up the biggest annual increase since July, 1959.

Nonmanufacturing remains the most potent element in the employment picture. Trade, services, government (particularly at state and local levels), and construction continue to expand, while factory jobs in many areas have been plagued with uncertainties.

BUSINESS WEEK's Measure of Personal Income shows that June incomes were 6.9% higher than a year ago, when steel mills were running full tilt to build up inventories before the steel strike deadline. And total personal income for the first six months of 1960 was 6.2% better than the first half of 1959.

**Top of the List**—Twenty-six states topped the national average in year-to-year scores. Nevada's +15.3% led, as its resort and gambling attractions lured a record number of tourists.

North Carolina followed with a healthy 12.7% increase, thanks to fatter payrolls in trade, construction, and machinery manufacturing, plus high farm receipts.

Only two states, South Dakota (-1.7%) and Montana (-0.3%), failed to post a yearly increase. Even so, the losses were small compared to sizable annual declines registered earlier this year by these and other farm states.

The Farm Belt seems to be emerging from its first-quarter doldrums. Bigger volume of marketings, plus better prices for some commodities, were largely responsible. Farmers' realized net income in the second quarter topped the same period a year ago by 2.6%.

**Soft Spots**—From May to June, incomes rose 0.5% as the economy moved sideways on its high plateau. Incomes sagged below the previous month in 13 states. Soft spots appeared in the big steel producing states—Pennsylvania, Indiana, Illinois, Alabama—due to reductions in foundry payrolls. A labor dispute in transportation equipment slashed June payrolls in Massachusetts.

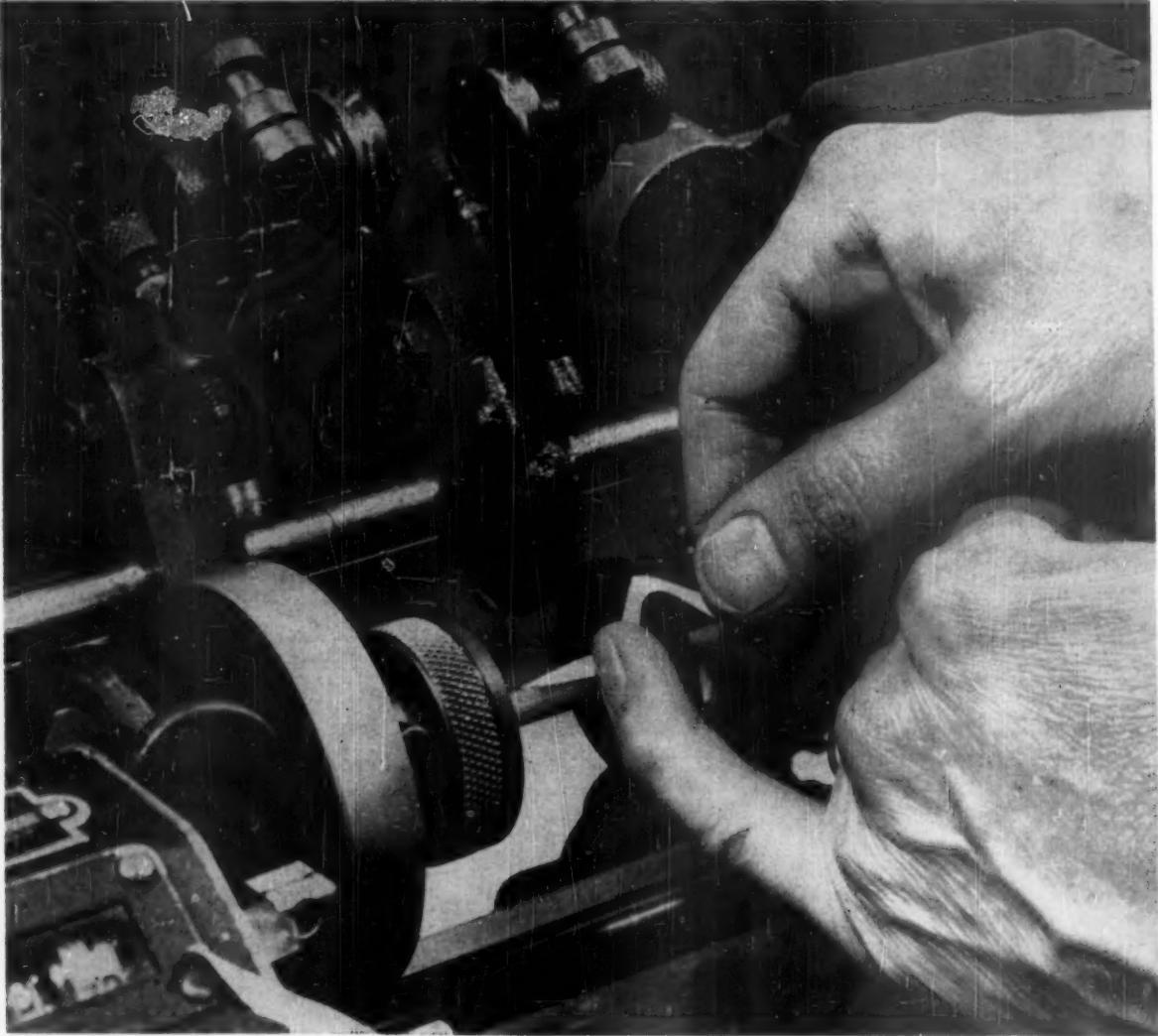
(For a look at what's happening in Oregon, which has special problems as a result of the slump in the plywood industry, see page 141.)

## MEASURE OF PERSONAL INCOME

STATE	1953-55 AVERAGE	Millions of Dollars (Seasonally Adjusted)			% CHANGE VS. YEAR AGO
		JUNE 1959	MAY 1960	JUNE 1960	
Alabama .....	\$286.4	\$398.6	\$414.1	\$420.5	+ 5.5%
Alaska .....	41.9	55.0	62.9	60.4	+ 9.8
Arizona .....	126.9	205.6	229.2	227.4	+ 10.6
Arkansas .....	153.5	197.8	204.5	208.1	+ 5.2
California .....	2,341.7	3,359.9	3,678.6	3,702.9	+ 10.2
Colorado .....	217.2	321.2	345.6	346.7	+ 7.9
Connecticut .....	440.7	577.3	609.0	612.6	+ 6.1
Delaware .....	78.6	114.0	124.7	127.8	+ 12.1
District of Columbia	158.2	191.1	193.5	195.7	+ 2.4
Florida .....	456.8	760.3	827.0	856.0	+ 12.6
Georgia .....	383.2	511.1	557.7	559.8	+ 9.5
Hawaii .....	76.0	101.5	114.0	113.5	+ 11.8
Idaho .....	74.5	98.8	105.5	106.6	+ 7.9
Illinois .....	1,677.5	2,209.6	2,295.2	2,302.0	+ 4.2
Indiana .....	663.5	858.1	900.4	907.4	+ 5.7
Iowa .....	357.3	469.2	488.7	487.7	+ 3.9
Kansas .....	281.8	344.1	369.7	376.2	+ 9.3
Kentucky .....	307.1	369.5	396.0	399.8	+ 8.2
Louisiana .....	318.3	434.1	453.2	453.7	+ 4.5
Maine .....	112.8	138.8	151.1	152.7	+ 10.0
Maryland .....	432.3	580.8	613.8	619.8	+ 6.7
Massachusetts ...	799.8	1,033.0	1,109.9	1,098.6	+ 6.4
Michigan .....	1,234.1	1,557.4	1,642.1	1,639.4	+ 5.3
Minnesota .....	434.8	571.7	609.3	612.7	+ 7.2
Mississippi .....	160.9	211.2	214.8	215.2	+ 1.9
Missouri .....	600.9	757.9	806.7	817.1	+ 7.8
Montana .....	92.3	115.3	115.0	115.0	- 0.3
Nebraska .....	182.5	243.8	253.8	253.6	+ 4.0
Nevada .....	43.1	63.3	71.3	73.0	+ 15.3
New Hampshire ..	75.2	95.3	103.1	103.7	+ 8.8
New Jersey .....	982.9	1,280.1	1,359.2	1,372.1	+ 7.2
New Mexico .....	91.8	134.3	146.6	146.8	+ 9.3
New York .....	2,887.9	3,656.8	3,904.1	3,932.1	+ 7.5
North Carolina ...	429.0	577.9	642.7	651.4	+ 12.7
North Dakota .....	67.4	83.4	91.0	88.9	+ 6.6
Ohio .....	1,476.3	1,930.6	2,031.1	2,016.6	+ 4.5
Oklahoma .....	268.5	334.9	354.2	376.3	+ 12.4
Oregon .....	249.8	315.0	339.2	336.2	+ 6.7
Pennsylvania ...	1,678.6	2,108.2	2,202.5	2,191.5	+ 4.0
Rhode Island .....	129.9	156.9	167.1	167.4	+ 6.7
South Carolina ...	210.0	262.4	291.7	296.1	+ 12.8
South Dakota .....	73.7	99.8	100.0	98.1	- 1.7
Tennessee .....	345.9	448.4	470.9	483.5	+ 7.8
Texas .....	1,132.9	1,468.0	1,518.1	1,528.2	+ 4.1
Utah .....	98.1	141.3	153.6	156.9	+ 11.0
Vermont .....	45.9	57.9	61.2	61.2	+ 5.7
Virginia .....	383.3	567.2	606.9	620.7	+ 7.0
Washington .....	418.0	522.4	556.9	555.2	+ 6.3
West Virginia ...	209.7	265.8	265.7	266.9	+ 0.4
Wisconsin .....	528.2	670.1	720.3	722.4	+ 7.8
Wyoming .....	45.9	59.1	59.1	59.4	+ 0.5
<b>NATION</b> .....	<b>\$24,363.5</b>	<b>\$32,085.8</b>	<b>\$34,105.2</b>	<b>\$34,293.5</b>	+ 6.9%

June, 1960, preliminary; May, 1960, and June, 1959, revised.

BUSINESS WEEK



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# Plywood Jam Hurts Oregon Purse

**Overcapacity, soft prices, and layoffs in the industry are responsible for the drop in the state's personal income.**

The slump in homebuilding is being felt all across the U.S., but nowhere is it hurting more than in Oregon, ranking state in the production of lumber and wood products.

In the fir country west of the Cascades (map, page 142) and in the pine country to the east, saw mills and plywood mills have had to lay off countless workers and put others on short work weeks as they cut back production closer to demand. Save for the recession of 1958, there have not been fewer workers in the woods and mills during this season in years.

Because of the degree to which the forest products industry dominates Oregon's economy, the slowdown quickly made itself felt. BUSINESS WEEK's Measure of Personal Income (page 142) shows, for example, how Oregon's income is dipping at a time when the U.S. total is going up.

Over-all, the industry employs around 75,000 persons in Oregon—more than any other sector outside agriculture and half of all manufacturing workers. Thousands of others earn their livelihood selling to the industry or to its workers.

Oregon accounts for 26% of the nation's softwood lumber (particularly fir and pine) and 65% of its fir plywood. Both lumber and wood products such as plywood have been hit by the decline in homebuilding, but the hard knocks suffered by the plywood makers have been more dramatic.

• **Squeeze Play**—Caught between the housing slump and its own overexpansion, the plywood segment of the industry has had to lay off or put on a short work week several thousand of its workers. Plywood makers expanded several years ago partly because they needed more efficient mills to ride out low prices. The industry's new, burgeoning capacity enabled it to turn out sheets of plywood faster than it could sell them. Then came the added problem of a downturn in homebuilding.

Early this month, plywood manufacturers took steps to work off their inventories and to stave off further softening of prices. U.S. Plywood Corp., the largest marketer of plywood and one of the largest manufacturers, announced that it would cut production by 20% by going on a four-day week. Several smaller companies followed, and later big Georgia-Pacific Corp. jumped on the bandwagon.

• **Brighter Spots**—Of course, not all of



**PLYWOOD WORKERS** bringing Douglas fir logs to Oregon's mills are getting less take-home pay. The industry is curtailing production by going on a four-day week.

Oregon is hurting. Construction employment, ironically, is up, as are services, trade, and government. Electrical machinery shows a gain over a year ago—thanks to the gradual growth of electronics—but in lower-paving jobs. Food processing, the second largest employer in the manufacturing sector, has been stable. All of this is helping to cushion the slump in lumber and wood products.

• **Trouble Spot**—When you take a close look at Oregon's lumber industry problem, plywood emerges as the real trouble spot.

Production of lumber (mostly softwood) in recent years has zigged and zagged, and never regained the peak it hit during 1955's housing boom. But plywood production has climbed to new highs annually almost without interruption. And while mechanization and elimination of marginal producers have cut employment in saw mills, the number of jobs in plywood and veneer mills also has been setting records.

Plywood production in Oregon almost doubled from 2.7-billion sq. ft. in 1955 to 5.1-billion sq. ft. in 1959. During that period, 23 new mills were built, bringing Oregon's total to 78. Another five were added this year.

• **Growing Demand**—In enlarging the total industry capacity to 9.1-billion sq.

ft., plywood makers were motivated by (1) growing demand and (2) growing costs of producing.

The housing boom of the 1950s unleashed a big demand for plywood, but sheer number of dwelling units don't explain the whole demand picture. Plywood manufacturers have been getting more of their product into each house, cutting into the markets of other lumber products. And with a greater percentage of total housing going into apartments, the industry has benefited even more because a multi-family dwelling uses more plywood than a single-family unit.

If the construction boom had been the only spur to building new mills, it would seem that the plywood people were shortsighted in not anticipating housing slumps.

• **Cost Factor**—That's where the other factor—the cost of production—comes in. With timber prices rising steadily the manufacturers have to get the maximum yield from their logs. So, to minimize waste and get the most from their byproducts, they had to build more efficient plants.

They started on this wave of expansion at a time when plywood was bringing in \$90 or more per 1,000 sq. ft., also at a time when small independents

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could make money in the business. Since then, the price has been fluctuating between \$64 and \$60. At such low prices, the efficient producers have been able to do more than just operate. They have been able to shut down their least efficient mills as a means of achieving a 20% cutback, instead of putting all their plants—efficient and inefficient—on a four-day week. Roseburg Lumber Co., for example, has found it desirable to keep its new capacity running on a 5-day schedule but closed its old one at Bandon to achieve greater savings.

• **Indefinite Cutbacks**—The industry made an abortive attempt in May to cut production by prolonging vacations and temporarily going to a shorter work week. These measures, plus the summer pickup in homebuilding, succeeded in jacking prices up to \$64. But orders failed to keep up with production, and increasing inventories forced the price back to \$60.

This episode also resulted in some namecalling within the industry. Small operators blamed big plywood producers for bringing prices down by dumping plywood on the market. And the big ones, in turn, accused the smaller firms of shaving prices because they couldn't afford to keep inventories.

One independent said he thought a number of firms cut prices because they thought they could open new markets for plywood that way, but such efforts were futile. "There has been no increase in business in relation to increase in production," he said. "They have just priced themselves down to where a lot of them are in trouble."

Today, nobody is talking—as they did in May—of the cutbacks being for a limited period. The only concern is to bring production more in line with demand, however long that takes. Many operators feel they can't afford to shut down one day a week; others are just as sure that they can't afford not to shut down. This situation is particularly critical to smaller mills, where cash flow is vital. To keep the cash coming, they are prepared to keep operating and cut the price—even to \$60 per 1,000 sq. ft.

• **Who Gets Hurt**—To an outsider, the difference between \$60 and \$64 may not seem like much. But plywood men say they can't make any money at \$60, while at \$64, says one, "we can operate but we can't pay our bills."

So it's clear that while a 20% cutback in production may help firm up the price of plywood, it's just as clear that some people may get hurt in the process. The voluntary cutbacks at 60 mills mean shorter work weeks—or no work at all—for 7,500 West Coast plywood workers, most of them in Oregon. Their thinner pay envelopes, in turn, mean lost sales in the mill towns.

In Eugene, for example, most of the



Data: BUSINESS WEEK

17 mills in the area are down to a four-day week, and the community is feeling it. Retail sales are off from 12% to 15% from a year ago, according to the Chamber of Commerce, and the collections of professional men such as doctors are down 10%. Bank debits, which for the first seven months ran 7% ahead of 1959, have fallen to the lower level of August, 1959.

• **First Decline**—If the production cutbacks continue for an appreciable time—as now seems likely—this could be the first year that plywood production has declined from the previous year. During other housing slumps, plywood stayed level. Even in the first half of this year, when housing starts were off 18%, Douglas fir plywood sales were up 1.5%. The fir people aren't exactly sure why this happened, but they point out that plywood is finding more uses in home construction, and is being used more in apartment house building.

• **Long-Range Hopes**—Although there are signs of an upswing in new housing (page 127), the plywood industry doesn't expect to benefit immediately. It is heading into what is normally a slack season. Consequently, it will be several months before the industry will be in a position to work off its inventories, pick up enough new business to sustain higher operating rates, and get its production curve going back up. In the meantime, few people in Oregon would be surprised if there were some structural changes in the industry. There is considerable gossip already about small mills, unable to weather the decline, talking merger with other small ones or absorption with some giants. **EHD**



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# Moving Toward Unity in Europe

Nothing in the postwar history of Western Europe has been quite so deplorable as the division of this area into two, bitterly hostile trading blocks—the European Economic Community, which has been dominated by France and West Germany, and the British-led European Free Trade Assn. On more than one occasion, this economic division has threatened to undermine the political unity of our principal NATO allies and to weaken the West in dealing with the Soviet Union.

Now, at long last, two of Europe's leading statesmen, Chancellor Adenauer and Prime Minister Macmillan, have recognized the danger in this situation and are trying to build a bridge between the "Six" and the "Seven" (BW—Aug. 26'60, p30). If French Pres. de Gaulle also is ready to join in this effort of reconciliation, there should be no insurmountable difficulties in the way of a solution that would bind Western Europe together both economically and politically.

It was de Gaulle himself who apparently set things in motion. At a secret meeting with Adenauer late in July, the French President argued that U.S. leadership of the West is faltering and therefore the Six should speak with one voice in world affairs. To do so, he said, the Six should set up a political directorate in Paris, representing each of the member governments. Adenauer, who fears growing Soviet pressure on Berlin, urged de Gaulle to go a step further and to include Britain, so that Europe could speak with a stronger voice. Of course, the Chancellor knew that this would require a compromise with London on the trade issue. And he proposed just that to Macmillan a few days later when the British leader went to Bonn for private talks.

From what is known about the Bonn meeting, Adenauer and Macmillan are hoping to rebuild the foundations of European unity on two levels—economic and political. Though they realize this is primarily a European problem, neither wants any final decisions made until there has been full consultation with the U.S.

To end the split on trade, they have agreed that Britain and West Germany should each work within its own trading bloc to find some way—presumably by a customs union—to merge the Six and the Seven and, at the same time, to take care of Commonwealth trading interests. In the political field, they seem to be thinking of a European standing group of ministers, which would not only be in continuous consultation but hold regular meetings. The problem now is to get the support of de Gaulle, who has been thinking in terms of a European "third force" that would be led by France and

eventually become largely independent of the U.S.

In the past, the U.S. has given strong support to the Common Market in its differences with the Seven—to the point where we have come close to offending the members of the Free Trade Assn. In the present situation, though, it is clearly in the U.S. interest to have Adenauer and Macmillan succeed, and we should use all our influence to try to conciliate the differences between the two groups.

Both Adenauer and Macmillan are strong supporters of NATO and of close economic, political, and military ties with the U.S. Both also recognize that if the Six and Seven are to merge into a single customs union, U.S. trading interests will have to be protected by making the common external tariff of this larger economic bloc as liberal as possible. The plan they are advancing represents the best solution yet for what is now a difficult and increasingly dangerous problem.

## The Chrysler Affair

The recent revelations of Chrysler Corp. officials having tie-ins with suppliers is without question harmful to that company.

Worse still, they also cast a bad light on the auto industry of which Chrysler is a part, and even on the business community generally. This is an unfortunate happening at this particular time, but it may have a healthy effect if it forces businessmen generally to take a hard look at practices in their own companies.

Over the years, businessmen have been described quite frequently in novels as men of greed and cunning.

In the Great Depression, the New Deal attacks on Wall Street made business the whipping boy for the country's troubles. And business itself went through a great deal of soul searching.

Since that time, it has been apparent that business was shaking off this tawdry reputation. The level of business ethics and conduct seemed to be rising, and the public attitude toward business reflected this fact.

The Chrysler incident gives this trend a serious setback. It is a black eye not just for Chrysler but for all business. Executives of other corporations might as well accept this and prepare to face some sharp questioning from shareholders at the next round of annual meetings about what is going on in their own companies. Meanwhile it behooves all of them to make sure that when such questions come they can answer with a clean conscience and—just as important—full knowledge of the facts in each case.

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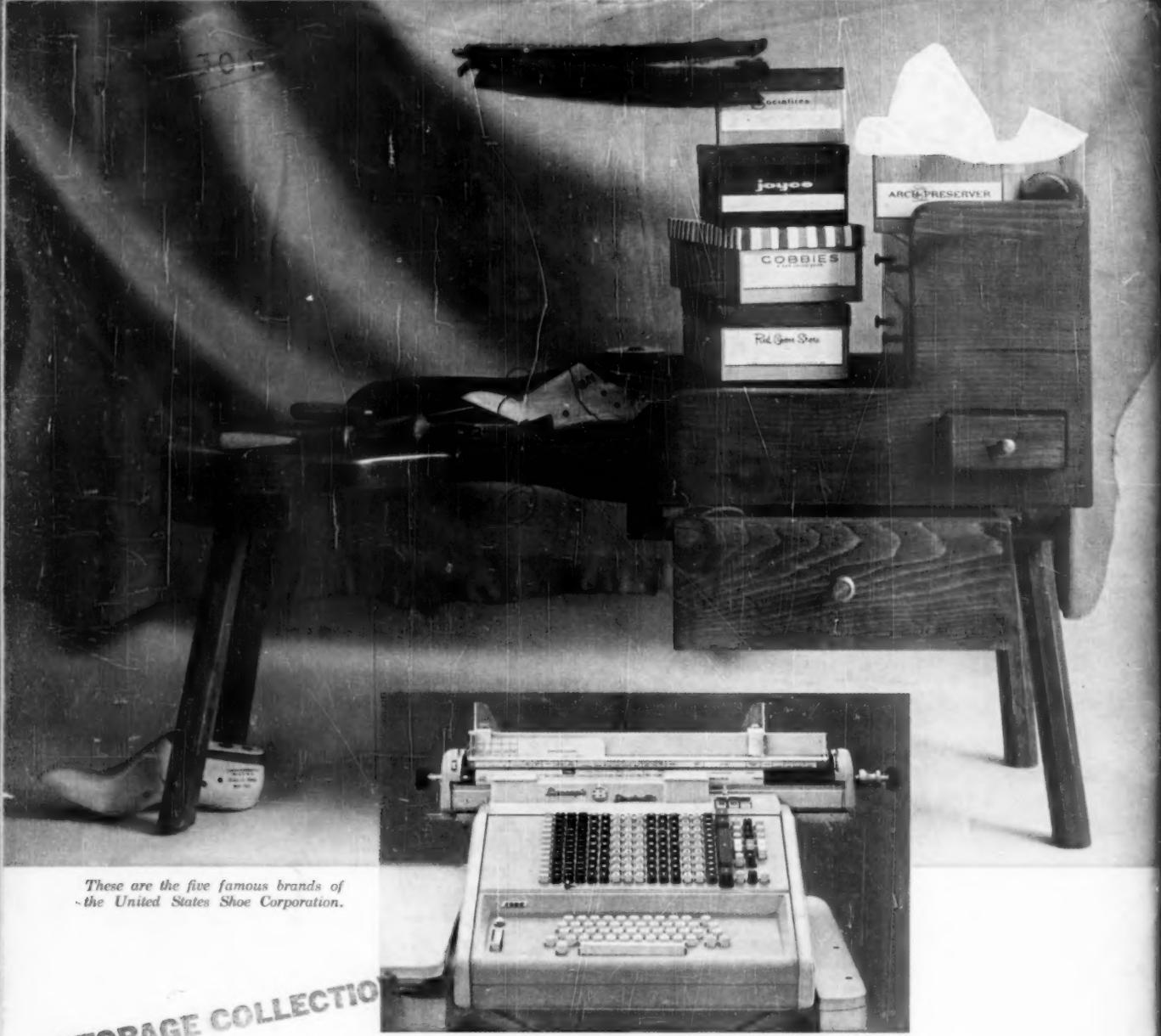
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## BURROUGHS TYPING ACCOUNTING EQUIPMENT SAVES 100% OF ITS COST EVERY 9 MONTHS AT UNITED STATES SHOE CORPORATION

**The scene:** The United States Shoe Corporation of Cincinnati, Ohio. **The job:** Accounts Payable. **The equipment:** The Burroughs F-1506 Typing Accounting Machine. **The results,** according to Controller and Assistant Treasurer H. F. Rottinghaus: "Because of its greater speed and work capacity, this equipment saves 100% of its cost every 9 months. Such performance is typical of our other Burroughs machines—including 11 Sensimatic to Punched Tape units now preparing payroll information in our 11 manufacturing plants, and four numerical accounting machines on accounts receivable."

Burroughs—TM

Burroughs automation equipment ranges from accounting machines to complete electronic computer systems. It's supported by outstanding systems knowledge and known for outstanding results. For details, action—and results—call our nearby branch. Or write Burroughs Corporation, Detroit 32, Michigan.



# Burroughs Corporation

"NEW DIMENSIONS / in electronics and data processing systems"

